

The Audit Program

Section III — Reporting

Chapter 1— Audit Criterion and Submission

(Chapter 1 is applicable to school districts, charter schools, and renaissance school projects)

Legal or Regulatory Requirements

In any governmental audit in which the auditor is expected to give an opinion on the fairness of the presentations in financial reports, compliance with applicable laws and regulatory requirements is a matter of importance because noncompliance might result in liabilities not disclosed in the financial reports. Compliance with laws and regulatory requirements, in many instances, assumes an even greater importance since the recipients of the financial reports and the audit reports also want to know whether funds designated for certain purposes were spent for those purposes.

The standards for examination and evaluation require consideration of applicable laws and regulations in the auditor's examination. The standards for reporting require a statement in his report regarding any significant instances of noncompliance disclosed by his examination and evaluation work. What is to be included in this statement requires judgment. Significant instances of noncompliance, even those not resulting in legal liability to the audited entity, should be included.

Although the reporting standard is generally on an exception basis, i.e., that only noncompliance need be reported, it should be recognized that governmental entities often want positive statements regarding whether or not the auditor's tests disclosed instances of noncompliance. This is particularly true in grant programs where authorizing agencies frequently want assurance in the auditor's report that this matter has been considered. For such audits, auditors should obtain an understanding with authorizing agencies as to the extent to which such positive comments on compliance are desired. When coordinated audits are involved, the audit program should specify the extent of comments that the auditor is to make regarding compliance.

When noncompliance is reported, the auditor should place his findings in proper perspective. The extent of instances of noncompliance should be related to the number of cases examined to provide the reader with a basis for judging the prevalence of noncompliance.

Peer Review

N.J.A.C. 6A:23A-16.2(i) requires that districts/charter schools/renaissance school projects engage only public school accountants who have had a peer review and obtain a copy of the audit firm's peer review. The board of education/board of trustees is required to review the peer review report prior to the engagement of a public school accountant for the annual audit, and to acknowledge its evaluation of the report in the minutes in which the board authorizes the engagement of the public school accountant to perform the annual audit. Generally, auditors will submit the peer review with the engagement letter for a repeat audit or if a new audit, with the proposal when responding to a board of education's request for proposal. The department recommends that auditors review the board minutes to determine that the peer review report has been reviewed prior to the audit engagement.

“In accordance with NJ OMB Circular Letter 25-12 including any amendments or revisions thereto, a district board of education or board of trustees shall ensure that the public school accountant provides a copy of the most recent external peer/quality report to the Department, within 30 days after the initial engagement of a licensed public school accountant or firm and within 30 days after the issuance of a subsequent peer/quality report.”

It is the responsibility of the district/charter school/renaissance school project to comply with the regulation of submitting the peer review report to the Department. Auditors are asked to inquire, early during field work, if the district/charter school/renaissance school project has done this. A copy of the most recent peer review report must be provided to the department as soon as possible after the engagement letter has been signed.

Government Auditing Standards (the 2018 Yellow Book) includes peer review requirements. Any letter of comment and any subsequent peer review reports and letters of comment received during the period of the contract should be provided to the district/charter school/renaissance school project which has contracted for the audit or attestation engagement. Auditors should refer to Chapter 5 of the [2018 Yellow Book](https://www.gao.gov/assets/gao-18-568g.pdf) (<https://www.gao.gov/assets/gao-18-568g.pdf>) for guidance on Quality Control and Assurance Standards.

Audit Submission

N.J.S.A. 18A:23-1. The board of education of every school district shall cause an annual audit of the district's accounts and financial transactions to be made by a public school accountant employed by it, which audit shall be completed not later than 5 months after the end of the school fiscal year. No provision is made for the issuance of extensions beyond the statutory due date. If a school district /charter school/renaissance school project fails to have an annual audit completed by December 1, the Commissioner of Education can appoint a qualified auditor to conduct the audit of the school district/charter school/renaissance school project. The cost of conducting such an audit would be paid out of the funds of the school district/charter school/renaissance school project.

Document Submission to the ACFR Repository

School Districts, Charter Schools and Renaissance School Projects

The following documents (1 through 8) are submitted electronically through the [NJDOE Homeroom](https://homeroom.doe.nj.gov/) (<https://homeroom.doe.nj.gov/>) and must be uploaded as unlocked, unencrypted, text-searchable PDF files (the document should be a digitally saved PDF (original electronic file), not a printed document that was later scanned and saved as a PDF) and signed and dated accordingly. **All documents (initial, corrected, or revised version) must be uploaded to the ACFR Repository as a PDF document.**

1. Annual Comprehensive Financial Report (ACFR)
2. Auditors Management Report (AMR)

Both reports must be signed by the appointed licensed Public School Accountant performing the audit and submitted to the board of education/board of trustees, board of the school district/charter school/renaissance school project.

- Updated ACFR/AMR is one that does not contain a material change.
- Revised ACFR/AMR is one that contains a material change and as such, the Cover Page must note Revised and the date. The ACFR/AMR is presented to the board for acceptance and a revised' board resolution Accepting the Audit is prepared.

3. Board Resolution(s) must read **Accepting the Audit and Approving the Corrective Action Plan (CAP) if applicable.**
 - Should be uploaded to the ACFR Repository within 45 days of the Board accepting the Audit
 - Stack documents, if more than one
 - Sign resolution by the Board Secretary/School Business Administrator.
4. Current System Review Report (Peer Review) (**dated June 30, 2023 or later**)
5. Corrective Action Plan (CAP) (**applicable only if there is a finding in the ACFR or AMR**)
 - Should be uploaded to the ACFR Repository within 45 days of the Board accepting the Audit. Must use prescribed template, accessed through the Audit Program at: Section III-Reporting Chapter 7 (nj.gov), otherwise CAP will be returned for re-submission. Should use the same language reported in the ACFR/AMR for finding(condition) and recommendation.
 - Must be signed by the chief school administrator and board secretary/school business administrator.
6. Certificate of Implementation (COI) is applicable **only if a CAP was submitted, and board resolution is not required.**
 - Should be uploaded to the ACFR Repository after the CAP Recommendation(s) has been implemented and no later than June 30, 2027. Must use prescribed Certificate of Implementation (COI) template, provided in this section of the Audit Program, otherwise COI will be returned for re-submission. Must be signed by the chief school administrator and board secretary/school business administrator.
7. Data Collection Form (DCF) (SF-FAC), if applicable, (refer to Single Audit section III-1.6).
 - Single Audit Summary is the acceptance (3 pages) by the Federal Audit Clearinghouse of the Data Collection Form (SF-SAC). Save the pages as PDF file and upload to the ACFR Repository within 45 days of the Board accepting the audit. Any changes (if applicable) made after certification by either party will have to be re-certified by all. This could include re-uploads of the audit package or workbooks.
8. Audit Questionnaire (only districts required to use School Based Budgets must upload the Audit Questionnaire, otherwise the document is maintained with the auditor's workpapers)

Important Reminders

- Special Audits Unit (SAU) must be notified when an updated or revised document is uploaded to the ACFR Repository as well as any submitted to the Federal Audit Clearinghouse (FAC).
- SAU must be notified when an updated Data Collection Form or Corrective Action Plan is submitted to the FAC.
- SAU has obtained access to the Vendor Inquiry System from the New Jersey Department of the Treasury, Office of Management and Budget (OMB). This will provide details for ACH and Vendor Payments for the Auditors and SBAs.
- Auditors will have access to information required for New Jersey state transfers (payments) to auditees (such as date, amount, source agency and other details). Requests may be obtained directly from:

Lyudmila McGann at Lyudmila.McGann@treas.nj.gov, (609) 292-0051, and
Jeanmarie Sellner, Jeanmarie.Sellner@treas.nj.gov, (609) 292-8721

- Auditors are no longer required to submit a Single Audit Summary (SAS). The document must be maintained with the auditor's workpapers. The template is accessible through the Audit Information Webpage:

New Jersey Department of Education Contact Information

Division of Field Support and Services - Office of Charter and Renaissance Schools

Karina Bielaus, Planning Associate 3: Karina.Bielaus@doe.nj.gov

609-376-3818.

Division of Finance and Business Services - Special Audits Unit

Vince Mastrocola, Director: Vincent.Mastrocola@doe.nj.gov

609-376-3607

New Jersey Department of Agriculture - Division of Food and Nutrition

Beatris Roman, Auditor 2: Beatris.Roman@ag.nj.gov

609-690-8890

Email all Corrective Action Plans, if applicable, to CAP@ag.nj.gov.

Single Audit Report Submission Requirements

Federal Single Audit Requirements

For districts/charter schools/renaissance school projects subject to the Single Audit Act pursuant to the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* at 2 CFR 200, the report submission requirements are as follows:

- The Data Collection Form (SF-SAC) and the Federal Single Audit Reporting Package described below must be submitted to the Federal Audit Clearinghouse within 30 days after receipt of the auditor's report(s).
- Audits submitted to the [Federal Audit Clearinghouse](https://harvester.census.gov/facweb/) will require all PDF uploads of the reporting package be unlocked, unencrypted, text-searchable PDF files (the document should be a digitally saved PDF (original electronic file), not a printed document that was later scanned and saved as a PDF). For additional information, please refer to Creating a Compliant PDF Single Audit Report: <https://harvester.census.gov/facweb/>.
- Based on the statutory deadline for filing the annual audit report for New Jersey School Districts/Charter Schools/Renaissance School Projects (December 5, 2026 for fiscal year ended June 30, 2026), submissions to the Federal Clearinghouse must occur within 30 days after the school district, charter school, or renaissance school project's receipt of the auditor's report(s); no later than January 5, 2027.
- The submission to the Federal Audit Clearinghouse of any incomplete Data Collection Form and Reporting Package will be returned to the auditee.
- The Form SF-SAC and the Single Audit Reporting packages must be submitted online.
- Only one copy of the reporting package is required. If the audit requires distribution to another federal agency, the Federal Audit Clearinghouse will copy and distribute the required reporting packages to the federal agencies per §200.512.

Data Collection Form (SF-SAC)

The Data Collection Form provides information on the type of audit, the auditee, the auditee's federal programs, and the results of the audit.

Data Collection Form information is entered electronically through the Federal Audit Clearinghouse (FAC) Everyone involved in the single audit process must have an account with Login.gov. This includes auditors and auditees. Website: <https://secure.login.gov/Auditors> and auditees should refer to the [FAC's "Getting started manual"](#) webpage.

For search, submission or general information questions contact the FAC Helpdesk by email (email inquiry box located on the webpage) or phone 1-800-253-0696 (toll free), or 301-763-1551.

Federal Reporting Package

The Reporting Package must include the following:

- Financial statements (discussed in 2 C.F.R. Part 200.510(a))
- Schedule of Expenditures of Federal Awards (200.510(b))
- Summary schedule of prior audit findings (200.511(b))
- Auditor's reports (200.515)
- Corrective action plan (200.511(c))

Corrective action plan (CAP) (§200.511(c))

A corrective action plan must be prepared to address each audit finding included in the current year auditor's reports. The corrective action plan must provide the name(s) of the contact person(s) responsible for corrective action, the corrective action planned, and the anticipated completion date. If the auditee does not agree with the audit findings or believes corrective action is not required, then the corrective action plan must include an explanation and specific reasons.

Submission of Federal Reports to State Departments

In addition to the required submissions to the Federal Audit Clearinghouse, the auditee must submit one copy of the Federal Audit Reporting Package to each pass-through entity when the schedule of findings and questioned costs and/or the summary schedule of prior audit findings disclosed audit findings or reported on the status of prior audit findings relating to federal awards that the pass-through entity provided. The reporting package must be transmitted to the Federal Collection Center electronically.

The Federal Audit Reporting Package will be accessed by the NJ Department of Agriculture if the LEA received total combined funding in excess of \$100,000 from the State Food and Nutrition Programs and/or USDA Foods. Corrective Action Plans shall be emailed by the school business administrator or business manager directly to the Department of Agriculture.

If the schedule of findings and questioned costs and/or the summary schedule of prior audit findings disclosed no audit findings or did not report on the status of prior audit findings relating to federal awards that the pass-through entity provided, the auditee shall provide written notification to the pass-through entity in accordance with Section 200.511.

State Single Audit Requirements

School districts, charter schools, and renaissance school projects may be subject to New Jersey State single audit requirements as established by NJ OMB Treasury Circular Letter 25-12 which state that "in addition to federally required reports and opinions, recipient single audits must contain similar reports and opinions for State grant or State aid funds."

State Single Audit Reporting Package

- Federally required reports and opinions
- Financial statements
- Schedule of Expenditures of State Financial Assistance
- Corrective Action Plan (if different from federal CAP) (refer to links and templates in Section III-7)

Reporting Errors

Auditor's Management Report (AMR)

N.J.S.A. 18A:23-9 states that the auditor "...report any error, omission, irregularity, violation of law, together with recommendations, to the board of education of each school district." This statute applies to the Auditor's Management Report filed with the New Jersey Department of Education. All findings must be included in that report of audit. This includes all items contained in a separate schedule of findings and questioned costs included in the single audit section of the school district, charter school, or renaissance school project's ACFR.

Immaterial Errors and Omissions

Sometimes an auditor will detect an error which requires disclosure pursuant to *N.J.S.A.* 18A:23-9. However, the auditor may not believe a recommendation is needed because the error was insignificant and an isolated unintentional deviation from the board's standard operating procedure. In such instances the auditor must report the item as a finding, state in the comments that in his or her opinion no recommendation is necessary and elaborate on the reason(s) for this opinion. Any negative comment without a corresponding recommendation will be cited during the Quality Assessment Review unless accompanied by such an explanation. The reviewer will consider the explanation and the nature of the disclosure for adequacy. Auditors should exercise caution when determining which findings require disclosure and recommendations.

Other Recommendations to the Board of Education/Board of Trustees

Auditor recommendations which are not required comments or related to a finding of noncompliance or questioned cost but rather represent suggestions to management should be grouped together and included at the end of the Auditor's Management Report in a section titled "Suggestions to Management." Management suggestions are not required to be included in the school district, or charter school, or renaissance school project's Corrective Action Plan.

Schedule of Findings and Questioned Costs (Single Audit - Federal and State)

In accordance with the Single Audit Act, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* - 2 C.F.R. 200, and NJOMB Circular Letter 25-12-OMB, questioned costs and findings of noncompliance with applicable federal and state laws and regulations pertaining to federal and state financial assistance programs must be reported in the *Schedule of Findings and Questioned Costs* in the Single Audit Section of the school district, or charter school, or renaissance school project's ACFR if they meet the criteria for reporting audit findings as detailed in 2 C.F.R. 200 (Section .516). See Section II-SA of the Audit Program for sample format of the schedule. As noted above, all items reported in the single audit section must be repeated in the Auditor's Management Report. The AICPA Audit Guide *Government Auditing Standards and Single Audits 2024 Edition* provides Example 13-7, Schedule of Findings and Questioned Costs.

The applicable single audit reports required under the circumstances of the audit are to be included in the single audit section of the ACFR.

Section III — Reporting

Chapter 2 Sample Opinion Reports

(Chapter 2 is applicable to school districts, charter schools, and renaissance school projects)

Directives for Auditor's Reports

The Office of Management and Budget (OMB) published its most substantial revision of the Uniform Guidance to date (“the 2024 Update”). The 2024 Update increases the single audit threshold from \$750,000 to \$1 million of federal award funds expended during a single fiscal year.

The 2024 Update is effective October 1, 2024, and applies to awards of federal financial assistance made to a recipient or subrecipient on or after that date. However, federal agencies were given the option to adopt the new guidance earlier, but no sooner than June 21, 2024. (See the Final Rule). Accordingly, counties and municipalities that received a new federal grant between June 21 and October 1, 2024, should determine whether the award is subject to the earlier effective date of June 21.

The State of New Jersey Office of Management and Budget (NJOMB) Circular Letter 25-12 supersedes NJ OMB Circular Letter 04-04, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Recipient single audits must contain reports and opinions for State funds similar to those required for federal single audits. A recipient is any local government (including school board) that receives from a State agency any federal grant, State grant or State aid funds to carry out or administer a program.

The AICPA Audit Guide Government Auditing Standards and Single Audits 2025 editions are available through the [AICPA & CIMA](#) website and incorporate the AICPA auditing standards and Governmental Auditing Standards for the fiscal year ending June 30, 2026.

Component Units

Government Accounting Standards Board Statement (GASBS) 14 as amended by GASBS 39 and GASBS 80 requires that separately issued financial statements of a component unit indicate that the entity is a component unit of another government. The notes to the component unit's financial statements should disclose the identity of the primary government of the financial reporting entity and describe the relationship with the primary government. For the auditor's report, the AICPA's publication *State and Local Governments- Audit and Accounting Guide*, refers to the language used in the introductory paragraph of the illustrative auditor's report in appendix A, Example 14A.2. -“We have audited the accompanying financial statements of the governmental activities, the business-type activities the aggregate discretely presented component units, each major fund, and the aggregated remaining fund information of the district/charter school/renaissance school project , as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprised the district/charter school/renaissance school project's basic financial statements, as listed in the table of contents.” District/charter school/renaissance school project staff and auditors should refer to the aforementioned GASB statements and GASBS 37 for additional information on component units.

Independent Auditor Reports

Uniform Guidance Report Illustrations

(To be used for reports for single audits of entities with fiscal years ending on or after December 31, 2025)

These illustrative reports are excerpts from Appendix A of chapter 23 of the AICPA Audit Guide, *Government Auditing Standards and Single Audits* (GAS-SA Guide). They have been reviewed by members of the AICPA Auditing Standards Board, the Government Accountability Office, and various federal agency representatives.

The illustrations include a sampling of various example reports contained in the GAS-SA Guide to meet the reporting requirements of the Uniform Guidance for compliance for each major program and internal control over compliance. Auditors may reference the 2026 edition of the GAS-SA Guide to access the full set of examples.

- Access illustrative Uniform Guidance reports
- Access illustrative Uniform Guidance program-specific audit reports

Sample Audit Reports

Example No.	Title
4-1	Unmodified Opinions on Basic Financial Statements Accompanied by Required Supplementary Information and Other Information—State or Local Governmental Entity New Jersey Specific References to be included: • In the Auditor’s Responsibility paragraph after “...issued by the Comptroller General of the United States” the phrase “<i>and audit requirements as prescribed by the, Office of School Finance, Department of Education, State of New Jersey</i>” should be added. • If the audit has been conducted in accordance with <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)</i>, refer to the illustrative auditor’s reports 23-1 through 23-6 issued by the AICPA. Expand the title of the paragraph (as illustrated) “Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance” to include “and State Financial Assistance” and the content of the paragraph to include the phrase, “<i>and New Jersey OMB’s Circular(s) 25-12, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.</i>”
4-3	Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards (No Material Weaknesses No Significant Deficiencies Identified, No Reportable Instances of Noncompliance or Other Matters)</i> New Jersey Specific References to be included: • The 3rd line of the first paragraph should be expanded to include the phrase “<i>and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey.</i>” • In the section for Compliance and Other Matters”, the last sentence should be expanded to include the phrase “<i>and audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey</i>” at the end of the sentence. • The New Jersey Department of Education should also be included in the list of agencies for which the report is intended for use.

The sample audit reports listed in the table above are based on the assumption that no modifications of opinion are required. Reports 4-4 through 4-9 include language as to reportable instances of non-compliance and separate communications to management of immaterial instances of non-compliance and certain matters involving internal control audit findings that should be included in the reports if such findings apply.

Auditors should reference the link above for the appropriate language to be included if significant deficiencies, material weaknesses, or reportable instances of noncompliance and other matters are identified.

SAS No. 117, Compliance Audits establishes standards and provides guidance on performing and reporting (in accordance with GAAS, Government Auditing Standards, and a governmental audit requirement that requires an auditor to express an opinion on compliance) on an audit of an entity's compliance with applicable compliance requirements of a governmental audit requirement.

Updated for the 2018 edition of *Government Auditing Standards*, as well as the clarity auditing standards, the 2025 edition of the AICPA Audit Guide, *Government Auditing Standards and Single Audits* (<https://www.aicpa-cima.com/cpe-learning/publication/>) is available for purchase from the AICPA website. The AICPA posted select illustrative auditor's reports from the Audit Guide to the AICPA GAQC webpage.

Expansion of the auditor's reports to include reference to New Jersey specific requirements is necessary. For example:

Example 23-1 and 23-6

Example No.	Title
23-1	Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)</i>, (Unmodified Opinion on Compliance; No Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified) New Jersey Specific References to be included: • In paragraph 1, sentence 1, of the Report on Compliance for Each Major Program, the phrase “<i>and the New Jersey State Aid/Grant Compliance Supplement</i>” should be added after the reference to the Compliance Supplement. • In the Auditor's Responsibility, Opinion of Each Major Federal Program, Other Matters, Report on Internal Control Over Compliance, and Report on Schedule of Expenditures of Federal Awards Required by Uniform Guidance paragraphs , , the phrases “<i>and the New Jersey State Aid/Grant Compliance Supplement</i>”; and the “<i>Schedule of Expenditures of State Financial Assistance</i>”; and “<i>the audit requirements as prescribed by the Office of School Finance, Department of Education, State of New Jersey</i>” and “<i>New Jersey OMB's Circulars 25-12, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid</i>” should be added, as appropriate.. • The New Jersey Department of Education should also be included in the list of agencies for which the report is intended for use.
23-6	Schedule of Findings and Questioned Costs

The illustrative audit reports listed above are based on the assumption that no modification of opinion is required. Reports 23-2 through 23-8 include language as to reportable instances of non-compliance and separate communications to management of immaterial instances of non-compliance and certain matters involving internal control audit findings that should be included in the reports if such findings apply. Auditors should reference the link above for the appropriate language to be included if significant deficiencies or material weaknesses are identified.

SAS No. 119, *Supplementary Information in Relation to the Financial Statements as a Whole* (AICPA, *Professional Standards*, AU-C sec. 725) is effective for audits of financial statements for periods beginning on or after December 15, 2010. The AICPA issued an illustrative auditor's report under Circular A-133 that reflects updated reporting on the Schedule of Expenditures of Federal Awards under SAS No. 119 to be used when a separate single audit package is issued. When a separate single audit package is issued, the paragraph referencing the schedule of expenditures of federal awards is modified. The AICPA issued an illustrative report to address this specific situation:

The AICPA Auditing Standards Board (ASB) issued SAS 134, *Auditors Reporting and Amendments, Including Amendments Addressing Disclosures of Financial Statements*, and SAS 135, *Omnibus Statement on Auditing Standards—2019*.

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.
 - AU-C 706—Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report.

[Illustrative auditor's reports](#) are available on the AICPA website.

New Jersey Specific References to be Included:

- Sentence 7, the phrase, "and the Schedule of Expenditures of State Financial Assistance" should be added after reference to the Schedule of Expenditures of Federal Awards
- Sentence 8, the phrase, "*and New Jersey OMB's Circular 25-12*" should be added after reference to OMB Circular A-133.
- Sentence 16, the phrase, "and the Schedule of Expenditures of State Financial Assistance" should be added after reference to the Schedule of Expenditures of Federal Awards

Section III — Reporting

Chapter 3 — Note Disclosures and Statistical Section

(Chapter 3 is applicable to school districts, charter schools, and renaissance school projects unless otherwise noted)

Disclosure

A governmental entity's reports and statements, both financial and operational, ideally should contain the information necessary for users--management, the electorate, creditors, grantors, and others — to form an opinion on the effectiveness of the stewardship exercised by the responsible public officials. The responsibility for providing such information is that of management. However, the auditor should comment if the data provided is insufficient to disclose any matters that may have a material effect upon the financial reports.

Adequate disclosure is that which is required by generally accepted auditing standards as promulgated by the American Institute of Certified Public Accountants (AICPA), as well as adherence to the accounting standards promulgated by the Governmental Accounting Standards Board (GASB). Disclosure should be fair, manageable and reasonably complete; not complex or difficult to understand.

Weight should be given to materiality, which is the relative importance or relevance of an item included in or omitted from a financial or operating report. There are no universal ratios or percentages that can be used as standards of materiality for financial or operational processes or transactions. Materiality should be based on judgment. Auditors should reference the AICPA Audit and Accounting Guides, *State and Local Governments* and *Government Auditing Standards and Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* for guidance on materiality. This guide specifies that auditor reporting on governmental financial statements should be based on opinion units.

The following notes for the schedules of expenditures of awards and financial assistance are required by *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*² CFR 200.510. The sample financial statement disclosures presented in this chapter are illustrative of some of the more common disclosures or unique to New Jersey school districts/charter schools/renaissance school projects. They are not intended to be a boilerplate and should be included only if they apply to that school district's/charter school's/renaissance school project's ACFR. The source of reference (e.g. GASB Codification Section or NJ Dept. of Education) is included at the end of each sample note. Additional information and samples of disclosures can be found in the GFOA *Governmental Accounting, Auditing and Financial Reporting* (the "Blue Book"), *GASB Codification of Governmental Accounting and Financial Reporting Standards*, and the ASBO International Self-Evaluation Worksheet.

Sample Notes to the Schedules of Expenditures of Awards and Financial Assistance

Anytown School (District/charter school/renaissance school project) Notes to Schedules of Expenditures of Awards and Financial Assistance

June 30, 202X

Note 1. General

The accompanying schedules of expenditures of federal awards and state financial assistance include federal and state award activity of the Board of Education/Board of Trustees, Anytown School District/charter school/renaissance school project. The Board of Education/Board of Trustees is defined in Note 1 to the board's basic financial statements. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on the schedule of expenditures of federal awards and state financial assistance.

Note 2. Basis of Accounting

The accompanying schedules of expenditures of awards and financial assistance are presented on the budgetary basis of accounting with the exception of programs recorded in the food service fund, which are presented using the accrual basis of accounting. These bases of accounting are described in Note 1 to the board's basic financial statements. The information in this schedule is presented in accordance with the requirements of 2 CFR 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements. This does not apply to charter schools as districts are not permitted to defer the June payments to charter schools.

Note 3. Relationship to Basic Financial Statements

The basic financial statements present the general fund and special revenue fund on a GAAP basis. Budgetary comparison statements or schedules (RSI) are presented for the general fund and special revenue fund to demonstrate finance-related legal compliance in which certain revenue is permitted by law or grant agreement to be recognized in the audit year, whereas for GAAP reporting, revenue is not recognized until the subsequent year or when expenditures have been made.

The general fund is presented in the accompanying schedules on the modified accrual basis with the exception of the revenue recognition of the one or more deferred June state aid payments in the current budget year, which is mandated pursuant to *N.J.S.A. 18A:22-44.2*. For GAAP purposes payments are not recognized until the subsequent budget year due to the state deferral and recording of the one or more June state aid payments in the subsequent year. The special revenue fund is presented in the accompanying schedules on the grant accounting budgetary basis which recognizes encumbrances as expenditures and also recognizes the related revenues, whereas the GAAP basis does not. The special revenue fund also recognizes the one or more state aid June payments in the current budget year, consistent with *N.J.S.A. 18A:22-4.2*

The net adjustment to reconcile from the budgetary basis to the GAAP basis is \$ _____ for the general fund and \$ _____ for the special revenue fund. See *Note 1* [the Notes to Required Supplementary Information] for a reconciliation of the budgetary basis to the modified accrual basis of accounting for the general and special revenue funds. Awards and financial assistance revenues are reported in the board's basic financial statements on a GAAP basis as presented on the following page:

Anytown School District/Charter School/Renaissance School Project

Notes to Schedules of Expenditures of Awards and Financial Assistance (Cont'd.)

June 30, 202X

	Federal	State	Total
General Fund	\$	\$	\$
Special Revenue Fund			
Debt Service Fund			
Food Service Fund			
Total Awards & Financial Assistance	\$	\$	\$

Note 4. Relationship to Federal And State Financial Reports

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

Note 5. Federal and State Loans Outstanding

Anytown School District/charter school/renaissance school project had the following loan balances outstanding at June 30, 202X:

Loan Program Title	Federal AL /FAIN Number	Amount Outstanding
Federal EPA	N/A	\$XXX,XXX

Note 6. Other

Revenues and expenditures reported under the Food Distribution Program represent current year value received and current year distributions respectively. The amount reported as TPAF Pension Contributions represents the amount paid by the state on behalf of the district/charter school/renaissance school project for the year ended June 30, 202X. TPAF Social Security Contributions represents the amount reimbursed by the state for the employer's share of social security contributions for TPAF members for the year ended June 30, 202X.

Note 7. Schoolwide Program Funds – (applicable to school districts only)

School wide programs are not separate federal programs as defined in *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Grant Guidance; amounts used in schoolwide programs are included in the total expenditures of the program contributing the funds in the Schedule of Expenditure of Federal Awards. The following funds by program are included in schoolwide programs in the school district.

Program	Total
Title I, Part A: <i>Grants to Local Educational Agencies</i>	\$ 615,764
Title I, Part D: <i>Neglected & Delinquent Children or Children At-risk of Dropping Out</i>	150,319
Title I, Part C: <i>Education of Migrant Children</i>	497,682
Title II, Part A: <i>Improving Teacher Quality State Grants</i>	112,071
Title III: <i>English Language Acquisition State Grants</i>	170,987
Total	<u>\$1,546,823</u>

Financial Statement Disclosures – Overview and Sample Notes

Please note that the sample notes included in this section are not intended to be all inclusive and auditors and district/charter school/renaissance school project staff should also refer to GASB Codification Section 2300 and the *AICPA Checklists and Illustrative Financial Statements for State and Local Governmental Units* for further guidance on disclosures.

Disclosures Effected by the Delay of One or More June State Aid Payments

(Delayed payment of State Aid disclosures are not applicable to charter schools and renaissance school projects)

The “Sample Notes” section of this chapter has been updated to include disclosure examples relating to the recording of the delayed state aid payment(s). Alternative presentation formats are also acceptable.

The following three disclosures affected by the revenue recognition policy of the one or more delayed June state aid payments for budgetary purposes are discussed below:

- Disclosure of the district’s policy for revenue recognition.
- Reconciliation of the revenue for budgetary comparison statements/schedules to the GAAP statements.
- Disclosure of a deficit fund balance.

Disclosure of the District’s Policy for Revenue Recognition

The department recommends that the district’s policy for revenue recognition of the one or more June state aid payments for budgetary purposes be disclosed in the Budgets/Budgetary Control section of Note 1 - Summary of Significant Accounting Policies. The revision to the second paragraph of the sample Note on Budgets/Budgetary Control is in boldface type.

Reconciliation of Revenue for Budgetary Comparisons to GAAP Statements

GASBS 34 requires a reconciliation of inflows and outflows from the Budgetary Comparison schedules to the GAAP basis funds statements. The reconciliation of the revenue difference due to the delay of one or more June state aid payments should be included in the general fund and the special revenue fund columns and is presented in the Notes to Required Supplementary Information.

Fund Balance Disclosures Including Disclosure of Deficit Fund Balance

GASBS No. 54, paragraphs 23 through 27 provides guidance for required disclosures regarding fund balance classification policies and procedures, reporting encumbrances, classification disclosures, and minimum fund balance policies. GASBS No. 54 paragraphs 18 and 19 provide the process for reporting negative residual restricted, committed, or assigned amounts.

The Note on Deficit Fund Balance, if applicable, will need to be modified to disclose if the deficit in the GAAP statement fund balances occurred as a result of the adjustment for the one or more June state aid payments. Under GAAP, in accordance with GASBS 33, *Accounting and Financial Reporting for Nonexchange Transactions*, the one or more delayed June state aid payments are not considered revenue to the school district if the state has not recorded the corresponding expenditure, even though state law dictates recording the revenue. The sample note included on the last page of this chapter of the Audit Program has been modified to reflect this. This delay in the June payment is not applicable to charter schools/renaissance school projects.

Sample Basic Financial Statement Notes

Note 1, Summary of Significant Accounting Policies

D. Budgets/Budgetary Control

Formal budgetary integration into the accounting system is employed as a management control device during the year. For governmental funds there are no substantial differences between the budgetary basis of accounting and generally accepted accounting principles with the exception of the legally mandated revenue recognition of the one or more June state aid payments for budgetary purposes only and the special revenue fund as noted below. Encumbrance accounting is also employed as an extension of formal budgetary integration in the governmental fund types. Unencumbered appropriations lapse at fiscal yearend.

Public Employees Retirement System (PERS)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the PERS and additions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note X

For the year ended June 30, 2026, the District recognized pension expense of \$_____. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		
Changes in proportion and differences between District contributions and proportionate share of contributions		
District contributions subsequent to the measurement date		
Total	\$	\$

\$_____ reported as deferred outflows of resources related to pensions resulting from school district, charter school, or renaissance school project contributions subsequent to the measurement date (i.e. for the school year ending June 30, 2026, the plan measurement date is June 30, 2025) will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Additional Information

Collective balances at December 31, 2025 and 2026 are as follows:

	12/31/20XX	12/31/20XX
Collective deferred outflows of resources	\$	\$
Collective deferred inflows of resources	\$	\$
Collective net pension liability	\$	\$
District's Proportion	%	%

Teachers Pensions and Annuity Fund (TPAF)

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Teachers Pension and Annuity Fund (TPAF) and additions to/deductions from the TPAF's fiduciary net position have been determined on the same basis as they are reported by the TPAF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Note X

For the year ended June 30, 2026, the District recognized pension expense of \$_____ and revenue of \$_____ for support provided by the State. At June 30, 2026, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience		
Changes of assumptions		
Net difference between projected and actual earnings on pension plan investments		
Changes in proportion and differences between District contributions and proportionate share of contributions		
District contributions subsequent to the measurement date		
Total	\$	\$

\$_____ reported as deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

Year	\$
20Y2	\$
20Y3	\$
20Y4	\$
20Y5	\$
20Y6	\$
Thereafter	

Auditor's Note — The following **post-retirement benefits** information is statewide data and should be utilized in the 2025-26 district/charter school/renaissance school project ACFR.

Note X. Post-Retirement Benefits

General Information about the OPEB Plan

State Health Benefit State Retired Employees Plan

Pension and Other Postemployment Benefits (OPEB) Obligations, in Fiscal Year 2025, the State funded the various defined benefit pension systems at 104 percent of the full actuarially determined contributions. Employer contributions to the pension plans are calculated per the requirements of the governing State statutes using generally accepted actuarial procedures and practices. The actuarial funding method used to determine the State's contribution is a matter of State law. Any change to the funding method requires the approval of the State Legislature and the Governor. The amount the State actually contributes to the pension plans may differ from the actuarially determined contributions of the pension plans because the State's contribution to the pension plans is subject to the appropriation of the State Legislature and actions by the Governor. GASB Statement No. 68, Accounting and Financial Reporting for Pensions, requires participating employers to recognize their proportionate share of the collective net pension liability. Under the new statement, the calculation of the pension liability was changed to a more conservative methodology and each employer was allocated a proportional share of the pension plans' net pension liability. The State's share of the net pension liability, based on a measurement date of June 30, 2023, which is required to be recorded on the financial statements, is \$79.4 billion.

The Fiscal Year 2026 projected aggregate State contribution to the pension plans of \$7.2 billion represents 104 percent of the actuarially determined contribution.

The State provides post-retirement medical (PRM) benefits for certain State and other retired employees meeting the service credit eligibility requirements. In Fiscal Year 2025, the State paid PRM benefits for 161,268 State and local retirees.

The State funds post-retirement medical benefits on a "pay-as-you-go" basis, which means that the State does not pre-fund, or otherwise establish a reserve or other pool of assets against the PRM expenses that the State may incur in future years. For Fiscal Year 2025, the State contributed \$2.3 billion to pay for "pay-as-you-go" PRM benefit costs incurred by covered populations, a slight increase from \$2.1 billion in Fiscal Year 2024. The State has appropriated \$2.4 billion in Fiscal Year 2026 as the State's contribution to fund increases in prescription drugs and medical claims costs.

In accordance with the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the State is required to quantify and disclose its obligations to pay Other Postemployment Benefits (OPEB) to retired plan members. This new standard supersedes the previously issued guidance, GASB Statement No. 45, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, effective for Fiscal Year 2018. The State is now required to accrue a liability in all instances where statutory language names the State as the legal obligor for benefit payments. The Fiscal Year 2025 State OPEB liability to provide these benefits is \$76.9 billion, an increase of \$2.0 billion, or 2.6 percent from the \$74.9 billion liability recorded in Fiscal Year 2024.

Additional information on [Pensions and OPEB](https://nj.gov/treasury/pensions/financial-reports.shtml) can be accessed at nj.gov/treasury/pensions/financial-reports.shtml

Total OPEB Liability

The State, a nonemployer contributing entity, is the only entity that has a legal obligation to make employer contributions to OPEB for qualified retired PERS and TPAF participants. The LEA's proportionate share percentage determined under paragraphs 193 and 203 through 205 of GASBS No. 75 is zero percent. Accordingly, the LEA did not recognize any portion of the collective net OPEB liability on the Statement of Net Position. Accordingly, the following OPEB liability note information is reported at the State's level and is not specific to the board of education/board of trustees. Note that actual numbers will be published in the NJ State ACFR on the [Office of Management and Budget](#) webpage.

Actuarial assumptions and other imputes. The total OPEB liability in the June 30, 20XX actuarial valuation reported by the State in the State's most recently issued ACFR was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	XX percent
Salary Increases	XX percent, average, including inflation
Discount rate	XX percent
Healthcare cost trend rates	XX percent
Retirees' share of benefit related Costs	XX percent of projected health insurance premiums for retirees

The discount rate was based on XXXX index.

Mortality rates were based on the XXX Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale

The actuarial assumptions used in the June 30, 20XX valuation were based on the results of an actuarial experience study for the period July 1, 20XX – June 30, 20XX

Changes in the Total OPEB Liability reported by the State of New Jersey

	Total OPEB Liability
Balances at 6/30/XX	\$ XXX,XXX,XXX
Changes for the year: (all rows below)	--
Service Cost	\$XXX
Interest	\$XXX
Changes of Benefit Terms	\$XXX
Differences between expected and actual experience	\$XXX
Changes in assumptions or other inputs	\$XXX
Benefit payments	\$XXX
Net changes	\$XXX
Balance at 6/30/XX	\$XXX

Changes of benefit terms reflect an increase in the retirees' share of health insurance premiums from XX percent in 20XX to XX percent in 20XX.

Changes of assumptions and other inputs reflect a change in the discount rate from XX percent in 20XX to XX percent in 20XX.

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the State for school board retirees, as well as what the State's total OPEB liability for school board would be if it were calculated using a discount rate that is 1-percentage -point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (X.0%)	Discount Rate (X.0%)	1% Increase (X.0%)
Total OPEB Liability (School Retirees)	\$XXX,XXX	\$XXX,XXX	\$XXX,XXX

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the State, as well as what the State's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

OPEB Liability	1% Decrease (X.X% decreasing to X.X%)	Healthcare Cost Trend Rates (X.X% decreasing to X.X%)	1% Increase (X.X% decreasing to X.X%)
Total OPEB Liability (School Retirees)	\$XXX	\$XXX	\$XXX

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 20XX, the board of education/board of trustees recognized OPEB expense of \$XXX.XXX determined by the State as the total OPEB liability for benefits provided through a defined benefit OPEB plan that is not administered through a trust that meets the criteria in paragraph 4 of GASBS No. 75 and in which there is a special funding situation.

In accordance with GASBS No. 75, the (insert name of board of education/board of trustees) proportionate share of school retirees OPEB is zero, there is no recognition of the allocation of proportionate share of deferred outflows of resources and deferred inflows of resources. At June 30, 20XX, the State reported deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$
Changes of assumptions or other inputs	\$	\$
Total	\$	\$

Amounts reported as deferred outflows of resources and deferred inflows of resources related to retired school employee's OPEB will be recognized in OPEB expense as follows:

Year Ended June 30	Amount
2022	\$
2023	\$
2024	\$
2025	\$
2026	\$
Thereafter	\$

Note X. Compensated Absences

The district/charter school/renaissance school accounts for compensated absences (e.g., vacation leave, sick leave) as directed by Governmental Accounting Standards Board Statement No. 101 (GASBS 101), "Compensated Absences." A liability for compensated absences be recognized for

- (1). leave that has not been used and
- (2). leave that has been used but not yet paid in cash or settled through noncash means.

As per GASB Statement 101, district/charter school/renaissance school should present either

- (a) the separate increases and decreases or
- (b) a net increase or a net decrease in its liability for compensated absences included in that disclosure. A government that presents a net increase or a net decrease should indicate that it is a net amount.

Note X. Tax Abatements

As defined by the Governmental Accounting Standards Board (GASB), a tax abatement is an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens. School districts are not authorized by New Jersey statute to enter into tax abatement agreements. However, the county or municipality in which the school district is situated may have entered into tax abatement agreements, and that potential must be disclosed in these financial statements. If the county or municipality entered into tax abatement agreements, those agreements will not directly affect the school district's local tax revenue because N.J.S.A. 54:4-75 and N.J.S.A. 54:4-76 require that amounts so forgiven must effectively be recouped from other taxpayers and remitted to the school district. *

For a local school district board of education or board of school estimate that has elected to raise their minimum tax levy using the required local share provisions at N.J.S.A. 18A:7F-5(b), the loss of revenue resulting from the municipality or county having entered into a tax abatement agreement is indeterminate due to the complex nature of the calculation of required local share performed by the New Jersey Department of Education based upon district property value and wealth.

*** Note to auditor: Paragraph 8 of GASBS No. 77 requires that where the information is available, additional disclosures, including but not limited to: The names and purposes of tax abatement programs; Gross dollar amount on an accrual basis of the tax revenue reduction during the period as a result of the tax abatement agreements; If disclosure is available by individual agreement, the threshold used to disclose individually; If legal provisions prohibit disclosure, a description of the general nature of the information and specific source of the legal prohibition. Please refer to each municipality's user-friendly budget posted on the municipal website for available information.**

Note X. Capital Reserve Account [Not Applicable To Charter Schools and Renaissance School Projects]

A capital reserve account was established by the _____ of _____ Board of Education by inclusion of \$ _____ on _____, 202X for the accumulation of funds for use as capital outlay expenditures in subsequent fiscal years. The capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Funds placed in the capital reserve account are restricted to capital projects in the district's approved Long-Range Facilities Plan (LRFP). Upon submission of the LRFP to the department, a district may increase the balance in the capital reserve by appropriating funds in the annual general fund budget certified for taxes or by transfer by board resolution at year end (June 1 to June 30) of any unanticipated revenue or unexpended line-item appropriation amounts, or both. A district may also appropriate additional amounts when the express approval of the voters has been obtained either by a separate proposal at budget time or by a special question at one of the four special elections authorized pursuant to *N.J.S.A. 19:60-2*. Pursuant to *N.J.A.C. 6A:23A-14.1(g)*, the balance in the account cannot at any time exceed the local support costs of uncompleted capital projects in its approved LRFP.

The activity of the capital reserve for the July 1, 20__ to June 30, 20__ fiscal year is as follows:

Beginning balance, July 1, 20__	\$ _____
Interest earnings	_____
Deposits	
Approved at April 200__ election	_____
Withdrawals	
Board resolution [Enter Date]	\$ _____
Board resolution [Enter Date]	\$ _____
Total Withdrawals	_____
Ending balance, June 30, 20__	\$ _____

The June 30, 202__ LRFP balance of local support costs of uncompleted capital projects at June 30, 202__ is _____. The withdrawals from the capital reserve were for use in a DOE approved facilities project, consistent with the district's Long-Range Facilities Plan.

(NJ Department of Education & GASB Cod. Sec. 2300.106(1))

Note X. Transfers from Capital Reserve to Capital Outlay**[Not Applicable to Charter Schools and Renaissance School Projects]**

During the year ending June 30, 202__, the district transferred \$ _____ to the capital outlay accounts. The transfer was made from the capital reserve account to supplement a capital project previously approved by the voters [or State if Type I District, by The Board Of School Estimate] in the budget certified for taxes pursuant to *N.J.A.C. 6A:23A-8.4* [or State if the transfer was approved by the Executive County Superintendent to support an emergent circumstance pursuant to *N.J.A.C. 6A:23A-13.3(h)*.]

Note X. Federal Impact Aid Reserve

As permitted by P.L.2015, c.46 which amended N.J.S.A. 18A:7F-41 a federal impact reserve account was established by the _____ of _____ Board of Education by transfer of \$ _____ on _____, 202X by board resolution for the amount of federal impact aid funds – capital – received during the current fiscal year for use as capital outlay expenditures or for transfer to capital projects fund in subsequent fiscal years. The federal impact aid – capital reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

As permitted by P.L.2015, c.46 which amended N.J.S.A. 18A:7F-41 a federal impact reserve account was established by the _____ of _____ Board of Education by transfer of \$ _____ on _____, 202X by board resolution for the amount of federal impact aid funds – general fund – received during the current fiscal year for use as general fund expenditures in subsequent fiscal years. The federal impact aid – general reserve account is maintained in the general fund and its activity is included in the general fund annual budget.

Note X. Risk Management

The district/charter school/ renaissance school project is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Note X. Property and Liability Insurance

The district/charter school/ renaissance school project maintains commercial insurance coverage for property, liability, student accident and surety bonds. A complete schedule of insurance coverage can be found in the Statistical Section of this Annual Comprehensive Financial Report.

Note X. New Jersey Unemployment Compensation Insurance

The district/charter school/ renaissance school project has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the district/charter school/ renaissance school project is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the state. The district/charter school/ renaissance school project is billed quarterly for amounts due to the state. The table on the following page is a summary of district/charter school/ renaissance school project contributions, employee contributions, reimbursements to the state for benefits paid and the ending balance of the district's/charter school's/renaissance school project's trust fund for the current and previous two years:

Fiscal Year	District/ charter school/ renaissance school project Contributions	Employee Contributions	Amount Reimbursed	Ending Balance
2024 – 2025				
2023 – 2024				
2022 – 2023				

(GASB Cod. Sec. 2300.107(a))

Note X. Interfund Balances and Transfers

Auditors Note - GASB Statement No. 38, paragraphs 14 and 15 revised the required disclosures for Interfund Balances and Transfers. District/charter school/renaissance school project staff and auditors should refer to that statement for further discussion. Sample disclosures for Interfund Balances and Transfers, as well as other disclosures required by GASBS 38 can be found in Appendix C of that document. The GASB Codification section 2300.903 also provides illustrations of certain required disclosures.

Note X. Deficit Fund Balances**[Not applicable to charter schools and renaissance school projects]**

The District has a deficit fund balance of \$_____ in the General Fund and \$_____ in the Special Revenue Fund as of June 30, 202X as reported in the fund statements (modified accrual basis). *N.J.S.A. 18A:22-44.2* provides that in the event a state school aid payment is not made until the following school budget year, districts must record the delayed one or more June state aid payments as revenue, for budget purposes only, in the current school budget year. The bill provides legal authority for school districts to recognize this revenue in the current budget year. For intergovernmental transactions, GASB Statement No. 33 requires that recognition (revenue, expenditure, asset, liability) should be in symmetry, i.e., if one government recognizes an asset, the other government recognizes a liability. Since the State is recording the June state aid payment(s) in the subsequent fiscal year, the school district cannot recognize the June state aid payment(s) (on the GAAP financial statements) until the year the State records the payable. Due to the timing difference of recording the June state aid payment(s), the General and Special Revenue Fund balance deficit does not alone indicate that the district is facing financial difficulties.

Pursuant to *N.J.S.A. 18A:22-44.2* any negative unreserved, undesignated general fund balance that is reported as a direct result from a delay in the June payment(s) of state aid until the following fiscal year, is not considered in violation of New Jersey statute and regulation nor in need of corrective action. The District deficit in the GAAP funds statements of \$_____ [is equal to (or) is less than] the last state aid payment. *[If the deficit exceeds the one or more delayed June state aid payment(s), the auditor should revise this note and indicate that the deficit is not a direct result from a delay in the June payment(s) of state aid and corrective action is required.]*

The District has an accumulated deficit of \$_____ in the Capital Projects Fund as of June 30, 20___. This deficit is the result of the _____ of _____ utilizing temporary financing to fund expenditures for certain capital projects. As the District permanently finances these appropriations the District will realize as revenues the proceeds of the financing. This deficit does not indicate that the District is facing financial difficulties and is a permitted practice under generally accepted accounting principles.

(GASB Cod. Sec. 2300.108)

Note X. Fund Balance Appropriated**[Not applicable to charter schools and renaissance school projects]**

General Fund [Exhibit B-1]

Of the \$ _____ General Fund fund balance at June 30, 202X, \$ _____ is reserved for encumbrances; \$ _____ has been legally restricted in accordance with *N.J.A.C. 6A:23A-8.5(j)* as the 2024-25 additional spending proposal was not fully expended; \$ _____ has been legally reserved for tuition adjustment in accordance with *N.J.A.C. 6A:23A-3.1(f)(8)*; \$ _____ is reserved as excess surplus in accordance with *N.J.S.A. 18A:7F-7* (\$ _____ of the total reserve for excess surplus has been appropriated and included as anticipated revenue for the year ending June 30, 202X); \$ _____ has been reserved in the Capital Reserve Account [**or state other applicable reserve account e.g., maintenance or current expense emergency reserve, impact aid-general fund reserve impact aid capital fund reserve**]; \$ _____ has been appropriated and included as anticipated revenue for the year ending June 30, 202X; and \$ _____ is unreserved and undesignated. During the fiscal year, authorized and approved appropriations of \$ _____ surplus were made on **[enter date of appropriation]** and \$ _____ made on **[date of appropriation]**.

Note X. Debt Service Fund

Of the Debt Service Fund fund balance at June 30, 202X, \$ _____ is reserved in accordance with *N.J.S.A. 7F-41c(2)* and \$ _____ is unreserved and undesignated.

(GASB Cod. Sec. 2300.107(k))

Note X. Fund Balance Appropriated

[Only applicable to charter schools and renaissance school projects]

General Fund [Exhibit B-1] - Of the \$ _____ General Fund balance at June 30, 202X, \$ _____ is reserved for encumbrances; \$ _____ is unreserved and undesignated.

(GASB Cod. Sec. 2300.107(k))

Note X. Calculation of Excess Surplus

The designation for Reserved Fund Balance – Excess Surplus is a required calculation pursuant to *N.J.S.A. 18A:7F-7*. New Jersey school districts are required to reserve General Fund fund balance at the fiscal year end of June 30 if they did not appropriate a required minimum amount as budgeted fund balance in their subsequent years' budget. The excess fund balance at June 30, 2026 is \$ _____.

(NJ Department of Education & GASB Cod. Sec. 2300.107(k))

Note X. Leases

Pursuant to Paragraph 37-39 of GASB Statement No. 87, a lessee should disclose the following about its lease activities (which may be grouped for purposes of disclosure), other than short-term leases: a general description of its leasing arrangements, including

- 1) the basis, terms, and conditions on which variable payments not included in the measurement of the lease liability are determined and
- 2) 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, and the related accumulated amortization, disclosed separately from other capital assets; the amount of lease assets by major classes of underlying assets, disclosed separately from other capital assets; the amount of outflows of resources recognized in the reporting period for variable payments not previously included in the measurement of the lease liability; the amount of outflows of resources recognized in the reporting period for other payments, such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability; principal and interest requirements to maturity, presented separately, for the lease liability for each of the five subsequent fiscal years and in five-year increments thereafter; commitments under leases before the commencement of the lease term; the components of any loss associated with an impairment (the impairment loss and any related change in the lease liability, as discussed in paragraph.

A lessee also should provide relevant disclosures for the following transactions, if applicable: a sublease transactions (see paragraph 81); sale-leaseback transactions; lease-leaseback transactions. A lessee is not required to disclose collateral pledged as a security for a lease if that collateral is solely the asset underlying the lease.

Pursuant to GASB Statement No. 87, paragraphs 57-60, a lessor should disclose the following about its lease activities (which may be grouped for purposes of disclosure), other than short-term leases and certain regulated leases: a general description of its leasing arrangements, including the basis, terms, and conditions on which any variable payments not included in the measurement of the lease receivable are determined; the total amount of inflows of resources (for example, lease revenue, interest revenue, and any other lease-related inflows) recognized in the reporting period from leases, if that amount cannot be determined based on the amounts displayed on the face of the financial statements; the amount of inflows of resources recognized in the reporting period for variable and other payments not previously included in the measurement of the lease receivable, including inflows of resources related to residual value guarantees and termination penalties; the existence, terms, and conditions of options by the lessee to terminate the lease or abate payments if the lessor government has issued debt for which the principal and interest payments are secured by the lease payments. A lessor also should provide relevant disclosures for the following transactions, if applicable: leases of assets that are investments; certain regulated leases; sublease transactions; sale-leaseback transactions; lease-leaseback transactions. In addition, if a lessor's principal ongoing operations consist of leasing assets to other entities, the government should disclose a schedule of future payments that are included in the measurement of the lease receivable, showing principal and interest separately, for each of the five subsequent fiscal years and in five-year increments thereafter.

A lessor with one or more regulated leases, should disclose the following about those lease activities (which may be grouped for purposes of disclosure), other than short-term leases: a general description of its agreements; the extent to which capital assets are subject to preferential or exclusive use by counterparties under agreements, by major class of assets and by major counterparty and the total amount of inflows of resources (for example, lease revenue, interest revenue, and any other lease-related inflows) recognized in the reporting period from these agreements, if that amount cannot be determined based on the amounts displayed on the face of the financial statements; a schedule of expected future minimum payments under these agreements for each of the subsequent five years and in five-year increments thereafter; the amount of inflows of resources recognized in the reporting period for variable payments not included in expected future minimum payments and the existence, terms, and conditions of options by the lessee to terminate the lease or abate lease payments if the lessor government has issued debt for which the principal and interest payments are secured by the lease payments.

Note X. Debt

GASB Statement No. 88, pursuant to paragraph 5-6 of GASB Statement No. 88, in addition to other requirements to disclose information related to debt in notes to financial statements, school districts, charter schools and renaissance school projects should disclose in notes to financial statements summarized information about the following items: amount of unused lines of credit; assets pledged as collateral for debt; terms specified in debt agreements related to significant:

- (1) events of default with finance-related consequences,
- (2) termination events with finance related consequences, and
- (3) subjective acceleration clauses. In notes to financial statements, a government should also separate information in debt disclosures regarding direct borrowings and direct placements of debt from other debt.

Note X. SBITAs

Pursuant to paragraph 60-61 of GASB Statement No. 96 for disclosure requirements related to subscription-based information technology arrangements (SBITAs) School districts, charter schools and renaissance school projects should disclose in notes to financial statements the following information about its SBITAs (which may be grouped for purposes of disclosure) other than short-term SBITAs: A general description of its SBITAs, including the basis, terms, and conditions on which variable payments not included in the measurement of the subscription liability are determined; the total amount of subscription assets, and the related accumulated amortization, disclosed separately from other capital assets; the amount of outflows of resources recognized in the reporting period for variable payments not previously included in the measurement of the subscription liability; the amount of outflows of resources recognized in the reporting period for other payments, such as termination penalties, not previously included in the measurement of the subscription liability; principal and interest requirements to maturity, presented separately, for the subscription liability for each of the five subsequent fiscal years and in five-year increments thereafter and commitments under SBITAs before the commencement of the subscription term; the components of any loss associated with an impairment .

Notes to Required Supplementary Information**GASBS 34 Model Illustration of Reconciliation - Notes to Required Supplementary Information****Budgetary Comparison Schedule**

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

Sources/inflows of resources	General Fund	Special Revenue Fund
Actual amounts (budgetary) “revenues” from the budgetary comparison schedules	\$23,101,430	\$ 7,983, 526
Difference – budget to GAAP:		
Grant accounting budgetary basis differs from GAAP in that encumbrances are recognized as expenditures, and the related revenue is recognized.		(21,204)
State aid payment recognized for GAAP statements in the current year, previously recognized for budgetary purposes.	553,478	347,560
State aid payment recognized for budgetary purposes, not recognized for GAAP statements until the subsequent year.	(551,385)	(243,142)
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances – governmental funds.	\$ 23,103,523	\$ 8,066,740

Uses/outflows of resources		
Actual amounts (budgetary basis) “total outflows” from the budgetary comparison schedule	\$ 24,209,664	\$ 7,983,526
Differences – budget to GAAP:		
Encumbrances for supplies and equipment ordered but not received are reported in the year the order is placed for budgetary purposes, but in the year the supplies are received for financial reporting purposes.		(21,206)
Pension expense recognized for GAAP but not for budgetary purposes.	\$9,664	
Transfers to and from other funds are presented as outflows of budgetary resources but are not expenditures for financial reporting purposes. Net transfers (outflows) to general fund.		(2,668,125)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances – governmental funds.	\$ 24,200,000	\$ 5,294,195

Statistical Section of the ACFR

Overview

The Governmental Accounting Standards Board (GASB) issued Statement No. 44, “Economic Condition Reporting: the Statistical Section,” an amendment of NCGA Statement 1, in May 2004, effective for periods beginning after June 15, 2005, and since amended by GASBS 54 and 63. This statement (GASBS 44) revises the current statistical section of the Annual Comprehensive Financial Report (ACFR). New Jersey school districts/charter schools first implemented GASBS 44 for year end June 30, 2006.

GASBS 44 was issued to improve the understandability and usefulness of the statistical section information. Although most of the data is reported in the current model, GASBS 44 modifies the presentation by establishing five categories – financial trends, revenue capacity, debt capacity, demographic and economic information, and operating information. GASB also addressed what it considered issues in the statistical tables section as currently presented:

- Consistency in statistical reporting among governmental entities,
- Completeness in statistical reporting by the entity, and
- Incorporation of the new government-wide reporting format required by GASBS 34 into the entity’s statistical section.

Illustrations

The department is providing samples of the statistical tables that use the format of illustrations in GASBS 44. The samples are intended to meet the requirements of GASBS 44 as applied to New Jersey school districts/charter schools/renaissance school projects. In tables which had optional placement of certain data or inclusion of data, the department selected the format that is most consistent with the current tables and most meaningful to the school districts/charter schools/renaissance school projects. Districts/charter schools/renaissance school projects may elect to present additional relevant statistical data, but for purposes of comparability between districts/charter schools/renaissance school projects, they should follow the basic format presented in the samples. The school district illustrations are available on the NJDOE Office of School Finance [ACFR webpage](#) with additional guidance on preparation of the tables.

Years of Data

GASBS 44 requires the presentation of the information described for the most recent ten years, unless otherwise specified in the statement (or if not available in previous statistical sections). Governments are not required to report retroactively the district/school-wide financial data (Exhibits NJ J-1 through NJ J-2) but are encouraged to report this information starting with the year they implemented GASBS 34. For other tables, NJDOE strongly encourages reporting ten years data when it is available to provide trend information. Data which was not previously required must be reported at a minimum of one year. When currently reported data differs from the new requirements, districts/charter schools/renaissance school projects are encouraged to restate the prior data if possible for comparability or explain how the data differs.

If statistical data cannot be obtained or estimated

- Note N/A on the face of the schedule and explain on the schedule why the information is unavailable.

The Outline on the next two pages shows the tables that are to be included. The illustrations on the website assume the district/charter school/ renaissance school project is retroactively reporting to the year

GASBS 34 was implemented, 2002-03 for illustration purposes, and ten years for data that would be available where applicable.

Outline of NJ DOE Statistical Tables Section (GASBS 44)

* = 10 years data should be reported unless not available

Revised NJ Exhibit #	Category/New Title
Financial Trends Information/Schedules	
J-1	* Net Assets by Component
J-2	* Changes in Net Assets
J-3	* Fund Balances-Governmental Funds
J-4	* Changes in Fund Balances, Governmental Funds
J-5	* General Fund Other Local Revenue by Source (NJ)
Revenue Capacity Information	
J-6	*Assessed Value and Estimated Actual Value of Taxable Property [N/A to Charter Schools/Renaissance School Projects]
J-7	*Direct and Overlapping Property Tax Rates [N/A to Charter Schools/ Renaissance School Projects]
J-8	*Principal Property Taxpayers (Current Yr. and Nine Years Ago) [N/A to Charter Schools/ Renaissance School Projects]
J-9	*Property Tax Levies and Collections [N/A to Charter Schools/ Renaissance School Projects]
Debt Capacity Information	
J-10	*Ratios or Outstanding Debt by Type
J-11	*Ratios of General Bonded Debt Outstanding [N/A to Charter Schools/ Renaissance School Projects]
J-12	Direct and Overlapping Governmental Activities Debt [N/A to Charter Schools/ Renaissance School Projects]
J-13	*Legal Debt Margin Information [N/A to Charter Schools/ Renaissance School Projects]
Demographic and Economic Information	
J-14	*Demographic and Economic Statistics
J-15	Principal Employers, Current and Nine Years Ago
Operating Information	
J-16	* Full-time Equivalent District/charter school/ renaissance school project Employees by Function/Program
J-17	* Operating Statistics
J-18	* School Building Information
J-19	*Schedule of Allowable Maintenance Expenditures by School Facility (NJ) [N/A to Charter Schools/ Renaissance School Projects]
J-20	Insurance Schedule (NJ)

Revised NJ Exhibit #	Category/New Title
J-21	Charter School and Renaissance School Project Framework, Financial Performance, Fiscal Ratios 2025-26 Charter and Renaissance Final Performance Indicators.xlsx Refer questions to: charters@doe.nj.gov

Note to charter school business offices/ charter school/renaissance school project auditors:

The Financial Performance Framework, Financial Performance, and Fiscal Ratios section was initially designed as a starting point for the NJDOE to assess the financial health and viability of charter schools in New Jersey. This framework will also be utilized to assess the financial health and viability of renaissance school projects. The Framework, containing both near term and sustainability indicators, is a monitoring tool that provides the NJDOE with key data that summarizes a 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](#) can be accessed at the NJDOE web site. Section II- Financial Performance provides the explanations for the mandatory computations of the J-21 indicators for inclusion in the school Statistical Tables section.

Indicators and Measures

1. Near-Term Indicators
 - a. Current Ratio (working capital ratio)
 - b. Unrestricted Days Cash on Hand
 - c. Enrollment Variance
 - d. Default on Loans
2. Sustainability Indicators
 - a. Cash Flow
 - b. Debt Service to Coverage Ratio
3. Financial Compliance Indicators
 - a. Financial audit
 - b. Financial management and compliance