

**SECTION II – SPECIFIC COMPLIANCE**  
**FUND 20 – SPECIAL REVENUE FUND**

**TPAF Reimbursement**

N.J.S.A. 18A:66-90 requires that each local board of education reimburse the State for the employer share of pensions, group life insurance, FICA and other benefits of the Teachers' Pension and Annuity Fund (TPAF) for TPAF members carrying out and paid from federally funded programs. The reimbursement, together with supporting documentation prescribed by the Director of Pensions, must be remitted to the Department of Education within 90 days after the close of the fiscal year. Auditors should refer to the updated letter and downloadable form on the NJDOE website:

<http://www.nj.gov/education/finance/ba/tpafmemo.pdf>

<http://www.nj.gov/education/finance/ba/tpafform.pdf>

Districts were given specific guidance in a hotline dated June 29, 1993 on accruing a liability for the TPAF Pension and Social Security related to salaries charged to federal grants. The reimbursement must be made by October 1 following the fiscal year end. Auditors are required to certify the accuracy of the reimbursement via their signature on the reimbursement form submitted by the district with the actual reimbursement. If submission of the reimbursement form is performed prior to the completion of audit procedures, the form may initially be submitted without the required auditor signature and a revised form reflecting the auditor signature may be subsequently submitted.

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

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

The blending of federal, state and local funds in the school-based budgets recorded in Fund 15 necessitates a calculation of the salary amounts paid in Fund 15, which are attributable to federal sources. This calculation is necessary to enable the district to remit the correct amount of funds to the Department of Education. This calculation pertains to schools implementing school-based budgeting for the year ended June 30, 2009 and is detailed below and illustrated at the TPAF series of schedules which are linked below.

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

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

- 1.) Perform a payroll sort from the district's payroll system, by school, detailing the teachers at each school and each teacher's contracted salaries paid during the year. (This amount is to be contracted base wages only and should not include stipends or extra-curricular activity payments.) This amount should be broken out between salaries paid from July 1, 2008 through December 31, 2008 and salaries paid from January 1, 2009 through June 30, 2009. Salaries paid for the calendar year ended December 31, 2008 will also be needed to calculate the social security and Medicare portions of FICA salaries over and under \$102,000 for the 2008 calendar year.
- 2.) The total fiscal year contractual salaries must then be broken down by calendar year to determine the amount paid which is less than or equal to \$102,000 for the 2008 calendar year; the amount which exceeds \$102,000 for the 2008 calendar year; the amount paid which is less than or equal to \$106,800 for the 2009 calendar year; and the amount which exceeds \$106,800 for the 2009 calendar year. This information is necessary to calculate the social security and Medicare portions of FICA. This is most

easily accomplished by sorting the information into two columns for each calendar year and totaling the columns.

- 3.) The amounts determined in 2.) above need to be accumulated and multiplied by the Title 1 percentage calculated on the current year *Schedule of Expenditures Allocated by Resource Type* to determine the Title 1 proportionate share of salaries. The amounts determined in 2.)above then need to be accumulated and multiplied by the “all other federal programs” rate to determine the all other federal programs proportionate share of salaries. The all other federal programs rate is the sum of the percentages calculated on the current year *Schedule of Expenditures Allocated by Resource Type* for all federal programs excluding Title 1.
- 4.) The reimbursement amounts will also need to be calculated at the school level to enable the reimbursements to be recorded in the individual school’s Fund 15. The social security, Medicare and TPAF rates are then applied to the salary amounts determined in steps two and three above to calculate the social security, Medicare and TPAF reimbursements due to the Department of Education for each school-based budget school.
- 5.) The federal program salaries calculated for each school in steps one through five will then be entered onto the worksheet entitled *SBB TPAF and FICA Calculation to Comply with N.J.S.A. 18A:66-90* in the applicable column and should be included in the salary amounts reported on the reimbursement form entitled, *Reimbursement to State of New Jersey – N.J.S.A. 18A:66-90*. The district should retain the worksheet and the individual school calculations as supporting documentation of the school-based budget salaries included in the amounts reported on the reimbursement form. The district’s public school accountant will need to verify these calculations prior to signing off on the reimbursement form.

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

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

[TPAFforms08-09forSBB.xls](#)

## Restricted State Aid

### Overview

Prior to year end June 30, 2008 the restricted state formula aids, Demonstrably Effective Program Aid (DEPA), Early Childhood Program Aid (ECPA), and Instructional Supplement Aid (ISA), were available for fiscal year ends through June 30, 2008 and were accounted for in the special revenue fund. For year end June 30, 2008 guidance was issued (2008-09 *Budget Guidelines* P. 26) to budget the anticipated carryover of DEPA, DLNA, ISA and TARA for 2008-09 as unrestricted general fund revenue. Districts were to record an interfund receivable and deferred revenue in the general fund and interfund payable and a corresponding revenue reduction in the special revenue fund equal to the audited carryover for each restricted DEPA, DLNA, and ISA carryover. June 30, 2008 deferred revenue from DEPA, DLNA and ISA should be recognized as revenue in the general fund for fiscal year 2008-2009. If the amount anticipated as revenue in the 2008-09 budget is less than the actual audited June 30, 2008 carryover, the difference will fall to general fund surplus. Districts could Commissioner approval to appropriate the carryover during 2008-09 in accordance with *N.J.A.C. 6A:23-2.11*. In the event that the anticipated carryover is more than the actual audited carryover, the districts were to amend their 2008-09 general fund budget. For districts with an approved multi-year TARA plan, June 30, 2008 carryover may be maintained and reported in the special revenue fund for use in accordance with the approved plan. Districts with ECPA carryover were to budget that for use in the preschool program in the special revenue fund.

Year end encumbrances are included in the special revenue fund as budgetary expenditures (Exhibit C-1) for the year end June 30, 2009 and are reported as GAAP expenditures (Exhibit B-2) in the subsequent year.

Under GAAP, there are no fund balances related to grant revenues in excess of expenditures in the special revenue fund since the revenue is not recognized until expenditures have incurred. Any payments received but not expended or encumbered must be reported as deferred revenue. This also applies to the Preschool Education Aid being accounted for in the special revenue fund.

### June State Aid Payments

Districts prepare their budgets based on state aid revenue paid over twenty cash payments. Beginning in fiscal year 2002-03, the State determined that the last payment would not be paid until July of the subsequent year. GASB 33 requires that the provider government and recipient government recognize a payable and receivable in the same fiscal period. *N.J.S.A. 18A:22-44.2* requires that districts include the last state aid payment as revenue for budgetary purposes only. Beginning in 2002-03, there may be a year end difference between the revenue for GAAP reporting and revenue for budgetary comparisons for any fiscal year in which the last state aid payment is deferred to the subsequent fiscal year. The first state aid payment of 2008-09 (July 2008) includes the final payment from 2007-08 for DEPA, ISA, ECPA and TARA. This payment will be reported as GAAP revenue in the special revenue fund for the year ended June 30, 2009 (B-2). Appropriate reconciling entries should be included on the Budgetary Comparison Schedule (C-3). Any prior year GAAP deficit in these programs should be eliminated with the final payment in 2008-09. The June state aid payments for Preschool Education Aid were deferred to July 2009. Chapters II-8 and III-6 provide an in depth discussion of the budget to GAAP reconciliation.

### Preschool Education Aid

Pursuant to *N.J.S.A. 18A:7F-54*, districts with high concentrations of low income students shall establish preschool and full day kindergarten for all three and four year-olds. The program objective under the School Funding Reform Act (SFRA) is for district factor group A and B school districts, and district

factor group CD school districts with a concentration of at-risk children equal to or greater than 40%, to provide free access to full-day preschool for all three- and four-year old children. All other school districts shall provide free access to full-day preschool for at-risk children; for these districts, 2008-09 was a planning year. Preschool education aid shall reflect the cost of the child's placement in a district program, a licensed child care provider program, or a Head Start Program which provide high quality full-day preschool in accordance with the Commissioner's regulations. .

Districts must appropriate preschool education aid in the special revenue fund for expenditures. Any preschool education not expended during the budget year may be carried forward. Preparation of the year end schedule for Preschool Education Aid is contained on the next page in this Audit Program. Preparation for districts that were required to use school-based budgeting can be found on the <http://www.nj.gov/education/finance/fp/cafr/>. Preschool Education Aid may be transferred to the general fund to support kindergarten through grade 12 if the district has served all eligible children and provided the program as required. The district must request and obtain approval by the commissioner. For 2008-09, no approvals were granted.

Revenue that was not expended or encumbered by June 30th of the budget year shall be classified as deferred revenue in the financial accounts and statements of the district and added to the revenue of the subsequent year preschool education budget. As part of the June 30th CAFR districts are required to prepare a budgetary basis schedule for Preschool Education Aid expenditures using the minimum outline required for the special revenue fund, including a calculation of the unbudgeted Preschool Education Aid funds along with June 30, 2009 unexpended/unencumbered funds.

Auditors should verify that the funds were expended only for approved Preschool Education Aid programs pursuant to *N.J.S.A. 18A:7F-54* and are in compliance with the department approved Preschool Education Aid Program Description and operational plan. Auditors should verify that the 2008-09 Preschool Education Aid plan was amended to reflect audited carryover balances. See the *State Aid/Grant Compliance Supplement* for the applicable year available on the NJ Treasury (OMB) web site for further audit procedures.

### ***PREPARING THE PRESCHOOL EDUCATION RESTRICTED AID SCHEDULE***

*The Schedule of Preschool Education Aid* is prepared from the district records and is the responsibility of the district. This schedule is to be included in the Special Revenue Fund section of Other Supplementary Information. All districts eligible for Preschool Education Aid were required to track Preschool Education Aid expenditures in the special revenue fund using the uniform grant project budget statement coding structure. The following sample schedules are presented in the required format for reporting Preschool Education Aid expenditures for 2008-09.

The format of the schedule was designed to provide an audit trail of the actual versus budgeted expenditures as well as calculate deferred revenue and carryover. This schedule is to be prepared on the budgetary basis where "actual" equals the 2008-09 expenditures less the reversal of the prior year end encumbrances plus encumbrances at June 30, 2008. These encumbrances must be liquidated within 60 to 90 days. The "budgeted" amounts can be obtained from the district's 2008-09 certified Detailed Appropriations lines 13010 – 13300 adjusted for any approved carryovers and/or transfers. At the bottom of the schedule is a calculation of the 2008-09 Available & Unbudgeted funds and the Actual Budgetary Carryover as of June 30, 2009.

Line (1) represents the total 2008-09 Preschool Education Aid allocation. This amount can be obtained from the district's "Estimated 2008-09 State School Aid/State Aid Summary" (NET) and is a budgetary amount.

Line (2) represents the actual audited ECPA carryover as of June 30, 2008. Carryover balances may have been anticipated in the 2008-09 original budget. Districts were instructed to utilize a Carryover Funds form to request use of June 30, 2008 balances or to adjust prior estimates. Copies of the approved request should be on file at the district.

Line (3) represents the budgeted transfer from the general fund to fund preschool programs. This amount can be obtained from Line 511 (Account 20-5200) in the 2008-09 certified advertised revenues.

Line (4) represents the total 2008-09 funds available for the 2008-09 preschool education budget (sum of lines 1-3).

Line (5) represents the amount the district included in its Preschool Education Aid budget for the fiscal year 2008-09, including contribution to charter schools.

Line (6) represents the difference between Line (4) and Line (5). If a district did not revise its budgeted original allocation (if different) or revise its budgeted June 30, 2008 carryover, then this amount is considered Available and Unbudgeted as of June 30, 2009. Line (6) is then considered a component of the Actual Carryover – Preschool Education Aid of June 30, 2009.

Line (7) represents 2008-09 budgeted Preschool Education Aid (Line 5) less the “total actual” for the program. This amount represents the 2006-07 unexpended/unencumbered Preschool Education Aid.

Line (8) is the total Actual Budgetary Carryover – Preschool Education Aid as of June 30, 2009 and is the sum of Lines (6) and (7).

Line (9) can be found in the 2008-09 Supporting Documentation 15 as Preschool Education Aid carryforward used to fund 2008-09 preschool education programs from the 2008-09 certified budget. If the (budgetary) actual carryover transferred to Preschool Programs (Line 8) differs from the budgeted carryover on line 9, the district should consider a revision to their 2008-09 preschool education program budget.

The Budgetary Preschool Education Aid Carryover (line 8) is for budgetary purposes and will differ from the June 30, 2009 Preschool Education Aid deferred revenue reported on Schedule B, *Schedule of State Financial Assistance* by the amount of the 2008-09 last state aid payment. The Schedule of State Financial Assistance (GAAP) will not include the amount of the last state aid payment but instead will include this amount in the MEMO column under “Budgetary Receivable”. The last state aid adjustment is required because the revenue recognition of the last state aid payment in 2008-09 is not in conformity with GAAP revenue recognition based on GASB 33; however, districts are legally required to recognize the revenue of the last state aid payment for fiscal year 2008-09 in their budgetary schedules. The Schedule of State Financial Assistance does not include the last payment for 2007-08 (received in July 2008) in the beginning balance deferred revenue, but does include it in the cash received column.

Please note that on the following example schedule every possible account is listed. This is an optional format. Districts may list only those accounts that are applicable. In addition, the line (#) references on the example schedules should not appear on the actual schedules in the CAFR. The sample schedule has been updated for the revised Chart of Accounts in the preschool education function. This revision is required beginning July 1, 2009, but districts were given the option to use the new coding in 2008-09. Districts that did not adopt the new coding do not need to include the shaded new codes. This sample is used by districts that are not required to use school-based budgeting. Districts that are required to use school-based budgeting should refer to the illustration and instructions at this website <http://www.nj.gov/education/finance/fp/cafr/>.

**Anytown School District  
Special Revenue Fund  
Schedule of Preschool Education Aid  
Budgetary Basis  
For the Fiscal Year Ended June 30, 2009**

	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
<b>EXPENDITURES:</b>			
<b>Instruction:</b>			
Salaries of Teachers	\$ 808,955	\$ 743,268	\$65,687
Other Salaries of Instruction	253,474	252,365	1,109
Other Purchased Services (400-500 series)	325,000	315,000	10,000
Tuition to Other LEAs within State-			
General Supplies	110,500	82,500	28,000
Other Objects			
<b>Total Instruction</b>	<u>1,497,929</u>	<u>1,393,133</u>	<u>104,796</u>
<b>Support Services:</b>			
Salaries of Supervisors of Instruction			
Salaries of Program Directors			
Salaries of Other Professional Staff			
Salaries of Secr. & Clerical Assistants			
Other Salaries			
Salaries of Community Parent Involvement Specialists			
Salaries of Master Teachers			
Personal Services – Employee Benefits	142,071	136,589	5,482
Purchased Educ. Services – Contracted Pre-K			
Purchased Professional – Educational Services	25,000	5,689	19,311
Other Purchased Professional Educational - Services			
Cleaning, Repair & Maintenance Services			
Rentals			
Contr. Transportation Service (Betw. Home & Sch.)			
Contr. Transportation. Service (Field Trips)			
Travel			
Supplies & Materials			
<b>Total support services</b>	<u>167,071</u>	<u>142,278</u>	<u>24,793</u>
<b>Facilities acquisition and const. services:</b>			
Instructional Equipment	15,000	10,000	5,000
Noninstructional Equipment	-	-	-
<b>Total facilities acquisition and const. services</b>	<u>15,000</u>	<u>10,000</u>	<u>5,000</u>
<b>Contribution to charter schools</b>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
<b>Total expenditures</b>	<u>\$1,700,000</u>	<u>\$1,565,411</u>	<u>\$134,589</u>

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**CALCULATION OF BUDGET & CARRYOVER**


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Total revised 2008-09 Preschool Education Aid Allocation	\$ 1,642,835	(1)
Add: Actual ECPA Carryover (June 30, 2008)	212,404	(2)
Add: Budgeted Transfer from the General Fund 2008-09	42,835	(3)
Total Preschool Education Aid Funds Available for 2008-09 Budget	<u>1,898,074</u>	(4)
Less: 2008-09 Budgeted Preschool Education Aid Prior year budget carryover)	<u>(1,700,000)</u>	(5)
Available & Unbudgeted Preschool Education Aid Funds as of June 30, 2009	<u>198,074</u>	(6)
Add: June 30, 2009 Unexpended Preschool Education Aid	<u>134,589</u>	(7)
2008-09 Carryover – Preschool Education Aid/Preschool	<u>\$ 332,663</u>	(8)
2008-09 Preschool Education Aid Carryover Budgeted for Preschool Programs 2008-09	<u>\$ 130,000</u>	(9)