

CHAPTER 20

BUSINESS SERVICES

Authority

N.J.S.A. 18A:1-1, 18A:4-14, 18A:4-14.1, 18A:4-15, 18A:7A-19, 18A:7A-25, 18A:7A-26, 18A:7B-12, 18A:17-45, 18A:18A-4, 18A:18A-5, 18A:18A-7, 18A:18A-27, 18A:18A-37, 18A:18A-40, 18A:18A-42, 18A:19-13, 18A:22-8, 18A:29-3, 18A:29-5, 18A:29-5.1, 18A:29-5.3, 18A:29-5.6, 18A:29-5.12, 18A:33-3, 18A:38-5, 18A:38-19, 18A:38-25, 18A:44-2, 18A:46-6.1, 18A:46-21, 18A:58-7.1, 18A:58-33.39, 18A:58-37.1, 18A:58-68, 18A:58-72, 18A:58-74, 18A:58-75, 18A:58-76, 40A:11-11, 52:14-15.9(e), 52:14B-4(c), Chapter 154, Laws of 1987; and Executive Order No. 34(1976).

Source and Effective Date

R.1990 d.393, effective July 16, 1990.
See: 22 N.J.R. 1246(a), 22 N.J.R. 2345(a).

Chapter Expiration Date

Pursuant to Executive Order No. 22(1994), Chapter 20, Business Services, expires on January 16, 1997. See: 26 N.J.R. 3783(a) and 3942(a).

Chapter Historical Note

Chapter 20, Business Services, was readopted pursuant to Executive Order No. 66(1978) by R.1990 d.393. See: Source and Effective Date.

Subchapter 9, Child Nutrition Programs, was recodified from N.J.A.C. 6:79, Bureau of Child Nutrition Programs and was readopted with amendments pursuant to Executive Order No. 66(1978) as R.1992 d.202, effective May 4, 1992. See: 24 N.J.R. 324(a), 24 N.J.R. 1791(c). The following is a history of prior rulemakings pertaining to the former Chapter 79:

All provisions of this chapter were adopted pursuant to authority of N.J.S.A. 18A:58-7.1 and 18A:33-4 and were filed and became effective August 31, 1971 as R.1971 d.151. See: 3 N.J.R. 199(a).

1973 Revisions: Amendments became effective July 19, 1974 d.198. See: 6 N.J.R. 302(e).

1975 Revisions: Revisions were filed and became effective June 12, 1975 d.161. See: 7 N.J.R. 201(c), 7 N.J.R. 307(a).

1983 Revisions: Amendments became effective March 21, 1983 as R.1983 d.171. See: 14 N.J.R. 1248(b), 15 N.J.R. 440(a).

1978 Revisions: This chapter was readopted pursuant to Executive Order No. 66(1978) effective November 25, 1987, with adoptions effective December 21, 1987 as R.1987 d.524. See: 19 N.J.R. 1599(a), 19 N.J.R. 2399(a).

Public Notice: Public testimony session.

See: 24 N.J.R. 303(b).

See subchapter and section annotations for specific rulemaking activity.

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SUBCHAPTER 1. ATTENDANCE AND PUPIL ACCOUNTING

6:20-1.1 School register

(a) The Commissioner shall prepare and distribute a school register which shall be known as the New Jersey School Register, for recording pupil attendance in all public schools of the State operated by district boards of education, except adult high schools.

(b) Pupil attendance shall be recorded in the school register during school hours on each day the school is in session.

(c) Separate school registers shall be kept for pupils attending A.M. kindergarten, P.M. kindergarten, full-day kindergarten, grades 1 through 6, grades 7 and 8, grades 9 through 12, each pre-school handicapped class, each handicapped class, shared-time classes for regular pupils, shared-time classes for handicapped pupils, full-time bilingual education programs and vocational day programs, and summer schools operated by district boards of education.

(d) The attendance record of all pupils furnished individual instruction or training shall be recorded in a separate official record of home instruction provided by the district board of education. Pupils on roll in home instruction shall not be regarded as enrolled for purposes of average daily enrollment and average daily attendance.

Amended by R.1990 d.393, effective August 6, 1990.

See: 22 N.J.R. 1246(a), 22 N.J.R. 2345(a).

More clearly delineated the use of separate school registers.

Amended by R.1990 d.610, effective December 17, 1990.

See: 22 N.J.R. 2633(a), 22 N.J.R. 3736(a).

Deleted reference to "annual" distribution of school register.

6:20-1.2 School enrollment

(a) The enrollment in a class, a school or a school district shall be the total number of original entries plus the number of re-entries, less the number of transfers, withdrawals or dropouts in any such unit during a school year. The total number of original entries and re-entries, less the number of transfers, withdrawals or dropouts, in all the classes and schools of a school district shall constitute the school enrollment for that district board of education during any school year.

(b) No pupil attending a school operated by a district board of education shall be enrolled in more than one school register in any school district during a school year. All pupils shall be enrolled as of the first day of attendance for that year.

(c) No pupil shall be enrolled in a school register until the pupil has reached the following legal school age:

1. Kindergarten—over four years and less than six years;
2. Day school—over five years;
3. Pre-school handicapped—over three years and less than five years.

(d) Within 10 days of the start of the school year, a school district must determine whether any re-entering student who has not attended school that year has an excused absence or has transferred, withdrawn or dropped out of the school district.

(e) Any pupil enrolled in a school register in a school district who moves to another school district in the same school year shall be enrolled in one register in the new school district upon entering school in that district.

(f) The average daily enrollment in a school district for a school year shall be the sum of the days present and absent of all enrolled pupils when schools were in session during the year, divided by the number of days schools were actually in session. The average daily enrollment for the classes or schools of a district having varying lengths of terms shall be the sum of the average daily enrollments obtained for the individual classes or schools.

(g) The average daily attendance in a school district for a school year shall be the sum of the days present of all enrolled pupils when schools were in session during the year, divided by the number of days schools were actually in session. The average daily attendance for the classes or schools of a district having varying lengths of terms shall be the sum of the average daily attendance obtained for the individual classes or schools.

Amended by R.1990 d.393, effective August 6, 1990.

See: 22 N.J.R. 1246(a), 22 N.J.R. 2345(a).

Added (f) defining calculation of the "average daily attendance".

Amended by R.1990 d.610, effective December 17, 1990.

See: 22 N.J.R. 2633(a), 22 N.J.R. 3736(a).

Added new (d) requiring school make determination of status absent reentering students within 10 days of start of school year.

Case Notes

School district in which child was domiciled with mother was responsible for special needs notwithstanding occasional exercises of parental responsibility by non-domiciled father. *Summit Board of Education v. Millburn Board of Education*, 95 N.J.A.R.2d (EDU) 506.

Child in parens patriae relationship with person domiciled within school district met hardship eligibility requirements for attending school within district. *S.L. v. Clifton Board of Education*, 95 N.J.A.R.2d (EDU) 476.

Student living with his grandmother in district to assist with a disability was not a legal resident entitled to a free education in district when supported entirely by his father living in another district. *D.W. v. Egg Harbor Board of Education*, 95 N.J.A.R.2d (EDU) 225, supplemented 95 N.J.A.R.2d (EDU) 587.

Children were not entitled to a free and public education in school district after they moved with their mother to a true, fixed and permanent home outside district. *Lee v. Holmdel Board of Education*, 95 N.J.A.R.2d (EDU) 214.

Changing geographic designation for attendance in kindergarten was based on excessive student enrollment and was not unreasonable. *G.M. v. Roselle Park Board of Education*, 95 N.J.A.R.2d (EDU) 107.

Tuition for school attendance in district was waived until children's domicile with parent in another district was established. *Union County Board of Education v. A. McG. and L.M.*, 95 N.J.A.R.2d (EDU) 74.

Parent established domicile in school district to entitle children to free public education. *R.A. v. Ewing Board of Education*, 95 N.J.A.R.2d (EDU) 49.

Lack of affidavit from natural father residing out of state did not preclude enrollment of child in school district when control had otherwise been relinquished. *Gunderson v. Brigantine Board of Education*, 95 N.J.A.R.2d (EDU) 39.

Family illegally living year-round at campsite; domicile; right to free education. *Board of Education of Township of Middle v. K.K. and P.K.*, 93 N.J.A.R.2d (EDU) 461.

Neither domicile nor temporary residence in district established; student ineligible for free public education. *I.P. v. Board of Education of Borough of Leonia*, 93 N.J.A.R.2d (EDU) 128.

Incarcerated pupils; proof of residence. *Board of Education of City of Atlantic City v. New Jersey Department of Education*, 92 N.J.A.R.2d (EDU) 545.

Domicile; multiple residences. *Fort Lee Board of Education v. Kintos*, 92 N.J.A.R.2d (EDU) 96.

Enrollment status. Parents on behalf of "G.S." v. Bd. of Ed., *Rockaway, Morris Cty.*, 1974 S.L.D. 637.

6:20-1.3 School attendance

(a) For purposes of school attendance a day in session shall be a day on which the school is open and pupils are under the guidance and direction of a teacher or teachers engaged in the teaching process. Days on which school is closed for such reasons as holidays, teachers' institutes and inclement weather shall not be considered as days in session.

(b) A school day shall consist of not less than four hours of actual school work, except that in an approved kindergarten one continuous session of 2½ hours may be considered as a full day.

(c) An approved kindergarten shall meet the following requirements:

1. Every kindergarten teacher shall be properly certified.

2. A balanced program in an approved facility with adequate equipment, materials and supplies shall be provided each child. This program is to be designed to meet the individual needs of every child and may include instruction in reading and other subjects when it has been determined that a child is ready for such instruction by the teacher of the class.

3. The maximum enrollment for any kindergarten class shall be 25 pupils per teacher. The county superintendent of schools may give permission to increase the number in a room to any number he chooses provided another teacher, an auxiliary teacher, or a teacher aide is employed full-time to provide for the increased size.

(d) A day of attendance shall be one in which a pupil is present for the full day under the guidance and direction of a teacher while school is in session. Whenever over-crowded conditions make it necessary to hold two separate sessions with a different group of pupils in each session a pupil attending for all of either session shall be regarded as having attended for the full day. An excused absence for any reason shall not be counted as a day of attendance in the school register.

(e) A half-day class shall be considered the equivalent of a full day's attendance only if in session for four hours or more, exclusive of recess periods or lunch periods.

(f) A record of the attendance of all pupils on roll in a school register shall be kept each day that school is in

session by a teacher or other authorized person. It shall be the duty of this person to keep the attendance records according to these rules and the specific instructions printed in the school register, and if necessary, according to supplementary instructions issued from time to time by the Commissioner.

(g) No pupil shall be recorded as present unless the school is in session and the pupil or pupils so recorded are under the guidance and direction of a teacher in the teaching process.

(h) A pupil shall be recorded as absent in the school register when not in attendance at a session of the school while a member of the school, except pupils excused due to religious holidays who shall be recorded as excused.

(i) A pupil shall be recorded as either present, absent, or excused for religious observance, every day the school is in session after the pupil enters until the date the pupil is transferred to another school, transferred to an individual home instruction record, or officially leaves the school system.

(j) The Commissioner shall annually prescribe a list of religious holidays on which it shall be mandatory to excuse pupils for religious observance upon the written request signed by the parent or person standing in loco parentis.

(k) The mere presence of a pupil at roll call shall not be regarded as sufficient attendance for compliance with these rules. In a school which is in session during both the forenoon and the afternoon, a pupil shall be present at least one hour during both the forenoon and the afternoon in order to be recorded as present for the full day. In a school which is in session during either the forenoon or the afternoon, a pupil shall be present at least two hours in the session in order to be recorded as present for the full day.

Amended by R.1990 d.393, effective August 6, 1990.

See: 22 N.J.R. 1246(a), 22 N.J.R. 2345(a).

Deleted (f), (m) and (n); recodified with editorial changes.

Case Notes

State Board of Education regulations applying to institutionalized children adopted. *New Jersey Assn. for Retarded Citizens, Inc. v. State Dept. of Human Services*, 89 N.J. 234, 445 A.2d 704 (1982).

Pupils not shown not to be residents of school district; incarceration. *Board of Education of City of Atlantic City v. New Jersey Department of Education*, 93 N.J.A.R.2d (EDU) 336.

Speculative impact of rule does not justify rescission of Board resolution allowing early enrollment. *McDowell v. Bd. of Ed., Island Heights, Ocean Cty.*, 1974 S.L.D. 1316.

SUBCHAPTER 2. BOOKKEEPING AND ACCOUNTING IN LOCAL SCHOOL DISTRICTS

Authority

N.J.S.A. 18A:4-14, 18A:4-15, 18A:7A-19, 18A:7A-26, 18A:18A-4, 18A:18A-5, 18A:19-13, 18A:22-8, 18A:29-3, 18A:33-3 and 52:14-15.9(e).

Source and Effective Date

R.1990 d.21, effective January 16, 1990.
See: 21 N.J.R. 2919(a), 22 N.J.R. 176(a).

Subchapter Historical Note

See Historical Note at Subchapter 2A.

6:20-2.1 Prescribed system of single entry bookkeeping

(a) It shall be the purpose of the bookkeeping and accounting system prescribed in this subchapter to provide a sound plan of general accounts that will serve to safeguard the expenditure of public funds; effect proper budgetary control; establish uniformity in the classification of expenditures; and furnish adequate financial information for use of the public, the district board of education administration and the Commissioner of Education.

(b) This subchapter is comprised of three major parts: records of cash receipt and cash expenditure accounts in accordance with recognized governmental accounting procedures; detailed budget and cost distribution records; and a schedule of physical property.

(c) A district board of education may operate a system of double entry bookkeeping consistent with the rules in this subchapter and accounting principles prescribed by the Commissioner.

(d) This subchapter shall expire on July 1, 1993 upon implementation of the double entry, GAAP accounting rules contained in N.J.A.C. 6:20-2A pursuant to N.J.S.A. 18A:4-14.1.

Amended by R.1990 d.393, effective August 6, 1990.

See: 22 N.J.R. 1246(a), 22 N.J.R. 2345(a).

Added (d) establishing an expiration date of July 1, 1993 for the subchapter.

6:20-2.2 Records of cash receipt and cash expenditure accounts

(a) The records of receipt and expenditure accounts shall be set forth in sufficient detail to determine the financial condition of the district board of education at any time.

(b) The major accounts shall be designated as follows:

1. Current expenses;
2. Capital outlay (sites, buildings and equipment); and
3. Debt service (bonds, authorized notes and interest on same).

(c) The necessary supplementary accounts shall be provided for non-revenue receipts and expenditures as follows:

1. Reserve for unpaid orders;
2. Sale of permanent bonds to redeem temporary loan bonds;

3. The capital reserve account may also be established or increased in the original annual capital outlay budget which is certified for taxes by an amount expressly approved by the voters of the district or the board of school estimate pursuant to N.J.S.A. 18A:21-3.

4. The capital reserve account shall be increased by the earnings attributable to the investment of the account's assets pursuant to N.J.S.A. 18A:21-3. Anticipated investment income shall be included in the original annual capital outlay budget which is certified for taxes as miscellaneous income.

5. Additions to the capital reserve account from foundation aid for capital outlay, amounts approved by the voters or board of school estimate and investment income are included in the annual budget statement's appropriation section in the line item "Increase in Capital Reserve."

6. Funds placed in the capital reserve account are restricted to the capital outlay major account/fund and transfers of such funds to other major accounts/funds are prohibited pursuant to N.J.S.A. 18A:22-8.2.

7. Funds in the capital reserve account may be appropriated as revenue only in the annual budget which is certified for taxes pursuant to N.J.S.A. 18A:21-4 in the line item "Withdrawal from Capital Reserve" subject to the following restrictions:

i. Funds withdrawn from the capital reserve account and included in the annual budget shall not be transferred for current expenses or debt service payments pursuant to N.J.S.A. 18A:21-4. In any year that capital reserve account funds are appropriated in the annual budget along with unrestricted fund sources, no transfers from capital outlay to current expense which are permitted by N.J.S.A. 18A:22-8.2 shall be made which reduce the capital outlay appropriation to an amount less than the appropriated capital reserve account funds;

ii. Funds in the capital reserve account which are not appropriated in the original annual capital outlay budget which is certified for taxes shall not be appropriated during the year;

iii. In any year that capital reserve account funds are appropriated in the annual budget, unexpended capital outlay appropriations up to the amount of capital reserve account funds appropriated shall be restored to the capital reserve account. Expenditures are deemed as being charged first to unrestricted capital outlay fund sources with capital reserve account appropriations expended last; and

iv. In any year that capital reserve account funds are appropriated in the annual budget, earnings attributable to the investment of unexpended capital outlay funds up to the amount of capital reserve account funds appropriated (lesser of unexpended capital outlay funds

or capital reserve account funds appropriated) shall be placed in the capital reserve account along with earnings attributable to the investment of funds remaining in the capital reserve account.

8. A separate fund shall be established in the capital outlay major account/fund for bookkeeping purposes only in order to account for increases to and withdrawals from the capital reserve account and its balance. The capital reserve account shall be reflected on the annual audit's balance sheet in the capital outlay major account/fund as follows:

i. Dr: Capital Reserve Account; and

ii. Cr: Reserved Fund Balance—Capital Reserve Account.

New Rule, R.1991 d.459, effective September 3, 1991.

See: 23 N.J.R. 1733(a), 23 N.J.R. 2634(a).

Former section 6:20-2.14 Appropriation of free balance was recodified to 6:20-2.13.

SUBCHAPTER 2A. DOUBLE ENTRY BOOKKEEPING AND GAAP ACCOUNTING IN LOCAL SCHOOL DISTRICTS

Authority

N.J.S.A. 18A:4-14, 18A:4-15, 18A:7A-19, 18A:7A-26, 18A:18A-5, 18A:19-13, 18A:22-8, 18A:29-3, 18A:33-3, and 52:14-15.9(e).

Source and Effective Date

R.1985 d.452, effective August 9, 1985.

See: 17 N.J.R. 1361(a), 17 N.J.R. 2105(b).

Subchapter Historical Note

Subchapter 2, Bookkeeping and Accounting in Local School Districts, was filed and became effective prior to September 1, 1969. Amendments became effective September 5, 1980 as R.1980 d.381. See: 12 N.J.R. 453(a), 12 N.J.R. 569(d). Further amendments became effective October 2, 1980 as R.1980 d.427. See: 12 N.J.R. 505(a), 12 N.J.R. 639(a). Further amendments became effective November 7, 1983 as R.1983 d.491. See: 15 N.J.R. 982(a), 15 N.J.R. 1861(a). Subchapter 2 was readopted pursuant to Executive Order 66(1978) effective August 9, 1985 with amendments effective September 3, 1985 as R.1985 d.452. See: 17 N.J.R. 1361(a), 17 N.J.R. 2105(b). Subchapter 2 was substantially amended and recodified effective February 6, 1989 as R.1989 d.86. See: 20 N.J.R. 2502(a), 21 N.J.R. 292(a). Subchapter 2 was recodified and amended as Subchapter 2A, Double Entry Bookkeeping and GAAP Accounting in Local School Districts by R. 1990 d.21, effective January 16, 1990. See: 21 N.J.R. 2919(a), 22 N.J.R. 176(a). See chapter and section levels for further amendments.

6:20-2A.1 Prescribed system of double entry bookkeeping and GAAP accounting

(a) A uniform system of double entry bookkeeping shall be established, and such uniform system shall be utilized by all district boards of education.

(b) Accounting principles consistent with the "generally accepted accounting principles" (henceforth referred to as

GAAP) promulgated by the Governmental Accounting Standards Board shall be applied by all district boards of education when preparing financial statements.

(c) All school districts shall conform to the requirements of this subchapter on July 1, 1993 pursuant to N.J.S.A. 18A:4-14.1.

Amended by R.1985 d.452, effective September 3, 1985.

See: 17 N.J.R. 1361(a), 17 N.J.R. 2105(b).

"district board of education" substituted for "local school."

New Rule, R.1989 d.86, effective February 6, 1989.

See: 20 N.J.R. 2502(a), 21 N.J.R. 292(a).

This section was "prescribed system of bookkeeping".

Amended by R.1990 d.21, effective January 16, 1990.

See: 21 N.J.R. 2919(a), 22 N.J.R. 176(a).

Recodified and new (c) added.

Amended by R.1990 d.393, effective August 6, 1990.

See: 22 N.J.R. 1246(a), 22 N.J.R. 2345(a).

Added effective date of these rules: July 1, 1993.

6:20-2A.2 Summary statement of principles

(a) The accounting and reporting objectives of a district board of education accounting system shall make it possible to:

1. Present fairly and with full disclosure the financial position and results of operations of the funds and the presentation of account groups of the district board of education in conformity with GAAP; and
2. Determine and demonstrate compliance with finance-related legal and contractual provisions.

(b) District board of education accounting systems shall be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with the fund's special regulations, restrictions, or limitations.

(c) The following types of funds shall be used by district boards of education:

1. Governmental funds shall be established, when necessary as follows:
 - i. The general fund is used to account for all financial resources except those required to be accounted for in another fund. The general fund shall include, as necessary, major accounts (funds) as follows: general current expense; capital outlay; and other current expense categories designated by the Commissioner.
 - ii. Special revenue funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or for major capital projects) that are legally restricted to expenditure for specified purposes.

iii. Capital projects funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by general fund revenues such as property taxes, proprietary funds and trust funds).

iv. Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

2. Proprietary funds shall be established, when necessary, as follows:

i. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the district board of education is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the district board of education has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

ii. Internal service funds are used to account for the financing of goods or services provided by one department or office to other departments or offices of the district board of education, or to other district boards of education and governmental units, on a cost-reimbursement basis.

3. Fiduciary funds shall be established, when necessary, as follows:

i. Trust and agency funds are used to account for assets held by a district board of education in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include expendable trust funds, nonexpendable trust funds, pension trust funds, and agency funds.

(d) District boards of education shall establish and maintain those funds required by law and sound financial administration. Only the minimum number of funds consistent with legal and operating requirements should be established.

(e) District boards of education shall maintain account groups for fixed assets and long-term liabilities.

1. A clear distinction shall be made between fund fiscal assets and general fixed assets.
 - i. Fixed assets related to specific proprietary funds or trust funds shall be accounted for through such funds.
 - ii. All other fixed assets of a district board of education not required to be accounted for in a proprietary or trust fund shall be accounted for through the general fixed assets account group.

2. A clear distinction shall be made between fund long-term liabilities and general long-term debt.

i. Long-term liabilities of proprietary funds and trust funds shall be accounted for through such funds.

ii. All other unmatured general long-term liabilities of the district board of education not required to be accounted for in a proprietary or trust fund shall be accounted for through the general long-term debt account group.

(f) Fixed assets shall be accounted for at cost or, if the cost is not practicably determinable, at estimated historical cost determined in accordance with GAAP. Donated fixed assets shall be recorded at their estimated fair value at the time received.

(g) The following shall apply to the depreciation of fixed assets:

1. Depreciation of general fixed assets accounted for through the general fixed assets account group shall not be recorded in the accounts of governmental funds. Depreciation of general fixed assets may be recorded in cost accounting systems or calculated for cost finding analyses, and accumulated depreciation may be recorded in the general fixed assets account group.

2. Depreciation of fixed assets accounted for in a proprietary fund shall be recorded in the accounts of such fund. Depreciation is also recognized in trust funds where expenses, net income, and/or capital maintenance are measured.

(h) The modified accrual or accrual basis of accounting as appropriate shall be used in measuring financial position and operating results.

1. Governmental fund revenues and expenditures shall be recognized on the modified accrual basis. Revenues shall be recognized in the accounting period in which they become available and measurable. Expenditures shall be recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt, which shall be recognized when due.

2. Proprietary fund revenues and expenses shall be recognized on the accrual basis. Revenues shall be recognized in the accounting period in which they are earned and become measurable; expenses shall be recognized in the period incurred, if measurable.

3. Fiduciary fund revenues and expenses or expenditures (as appropriate) shall be recognized on the basis consistent with the fund's accounting measurement objective. Nonexpendable trust and pension trust funds shall be accounted for on the accrual basis; expendable trust funds shall be accounted for on the modified accrual basis. Agency fund assets and liabilities shall be accounted for on the modified accrual basis.

4. Transfers shall be recognized in the accounting period in which the inter-fund receivable and payable arise.

(i) An annual budget(s) shall be adopted by each district board of education and shall be included in the minutes of the board.

1. A detailed school district budget statement which shall include the classification of expenditures by program and/or function shall be prepared on a fund basis and in accordance with N.J.S.A. 18A:22-8. The school district budget statement shall be submitted by each district board of education in a form prescribed by the Commissioner.

2. Detailed budgets for each special project, capital project and Federal or State grant shall be prepared and maintained along with all authorized revisions on file in the business office.

3. A district board of education shall take appropriate action, as necessary, to maintain a "balanced budget", that is, one in which budgeted anticipated revenues and fund balance equal budgeted appropriations.

i. The board secretary shall notify the district board of education of any changes in anticipated revenue sources.

(j) The accounting system shall provide the basis for appropriate budgetary control.

(k) Budgetary comparisons shall be included in the appropriate financial statements and schedules for governmental funds for which an annual school district budget has been adopted.

(l) Transfer, revenue, expenditure, and expense account classification shall be maintained as follows:

1. Interfund transfers and proceeds of general long-term debt issues shall be classified separately from fund revenues and expenditures or expenses.

2. Governmental fund revenues shall be classified by fund, character (major account) and source. Expenditures shall be classified by fund, program and/or function, organization unit, activity, character (major account), and principal classes of objects.

3. Proprietary fund revenues and expenses shall be classified in essentially the same manner as those of similar business organizations, functions, or activities.

(m) A common terminology and classification shall be used consistently throughout the budget, the accounts and the financial reports of each fund. District boards of education shall adopt a chart of accounts prepared in conformity with established guidelines as follows:

1. The Commissioner shall prepare, publish and distribute a uniform minimum chart of accounts consistent with Financial Accounting for Local and State School

Systems, commonly referred to as Handbook 2R2 and developed by the National Center for Education Statistics, for use in the accounting systems of all district boards of education and shall compel its use for financial reporting to the Department of Education.

2. The Commissioner shall publish and distribute Financial Accounting for Local and State School Systems, commonly referred to as Handbook 2R2 and developed by the National Center for Education Statistics, for use in the accounting systems of district boards of education selecting the program oriented budget system or those wishing to expand upon the minimum requirements for the function oriented budget system established in (m)1 above. Such expanded systems shall compile budget data in the expanded and minimum format each month and at the end of the fiscal year.

3. Any modifications to the chart of accounts adopted by the district board of education must conform to the guidelines established in (m)1 and 2 above and shall be subject to the district board of education's approval.

(n) Monthly and annual financial reports shall be prepared as follows:

1. Monthly financial statements and reports of financial condition, operating results and other pertinent information shall be prepared, in accordance with directions issued by the Commissioner, to facilitate management control of financial operations, legislative oversight and, where necessary or desired, for external reporting purposes.

2. A Comprehensive Annual Financial Report (annual audit), including General Purpose Financial Statements in compliance with Governmental Finance Officers Association (GFOA) standards, covering all funds and account groups of the district board of education, including introductory section; appropriate combined, combining, and individual fund statements; notes to the financial statements; required supplementary information; schedules; narrative explanations; and statistical tables, shall be prepared and published. The Commissioner shall prepare, publish and distribute a uniform program and shall compel its use for preparing the Comprehensive Annual Financial Report (annual audit).

3. General Purpose Financial Statements may be issued separately from the Comprehensive Annual Financial Report. Such statements shall include the basic financial statements and notes to the financial statements that are essential to fair presentation of financial condition and results of operations (and changes in financial position of proprietary funds and similar trust funds). Such statements may also be required to be accompanied by required supplementary information, essential to financial reporting.

Amended by R.1985 d.452, effective September 3, 1985.
See: 17 N.J.R. 1361(a), 17 N.J.R. 2105(b).

Added text "board of education."
New Rule, R.1989 d.86, effective February 6, 1989.
See: 20 N.J.R. 2502(a), 21 N.J.R. 292(a).

This section was "records of receipt and expenditure accounts".
Amended by R.1990 d.21, effective January 16, 1990.
See: 21 N.J.R. 2919(a), 22 N.J.R. 176(a).

Reference added to "Minimum" chart and requirements to be met if minimums are expanded upon.

Amended by R.1990 d.393, effective August 6, 1990.
See: 22 N.J.R. 1246(a), 22 N.J.R. 2345(a).

Added "fund balance" to (i)3.

Case Notes

County educational services commission; refund of surplus funds. Essex County Educational Services Commission v. New Jersey State Department of Education. 93 N.J.A.R.2d (EDU) 522.

Prior use of method of determining costs; no continuing right to such methodology; grant applicant liable for reimbursement. Children's Seashore House v. New Jersey Department of Education, 93 N.J.A.R.2d (EDU) 373.

Method of crediting board of education employees' voluntary contributions to credit union and tax annuity accounts; unconstitutional. Board of Education of Township of Neptune v. Neptune Township Education Association. 92 N.J.A.R.2d (EDU) 602.

6:20-2A.3 Conflicts between legal provisions and GAAP

(a) Where financial statements prepared in conformity with GAAP do not demonstrate finance-related legal and contractual compliance, the district board of education shall present such additional schedules and narrative explanations in the Comprehensive Annual Financial Report as may be necessary to report its legal compliance responsibilities and accountabilities.

(b) The accounting system shall be maintained on a legal-compliance basis, and shall include sufficient additional records to permit GAAP based reporting.

As amended, R.1977 d.463, eff. December 13, 1977.
See: 9 N.J.R. 359(a), 10 N.J.R. 5(b).

As amended, R.1981 d.353, eff. September 10, 1981.
See: 13 N.J.R. 333(e), 13 N.J.R. 563(b).

(d): 1982-83 changed to 1983-84.

(e): Classifications amended.

(f): added concerning 1982-83 budget "crosswalk."

As amended, R.1982 d.194, eff. June 21, 1982.

See: 14 N.J.R. 309(a), 14 N.J.R. 654(b).

(d): "Local boards" changed to "District boards"; "fiscal year" stipulation deleted.

(f): Existing text replaced by Commissioner's reporting requirement.
Amended by R.1985 d.452, effective September 3, 1985.

See: 17 N.J.R. 1361(a), 17 N.J.R. 2105(b).

Added text "boards of education."

New Rule, R.1989 d.86, effective February 6, 1989.

See: 20 N.J.R. 2502(a), 21 N.J.R. 292(a).

This section was "budget and cost distribution records".

Case Notes

Local board of education accountable for funds raised by pupils through activities under the board's auspices. Silver v. Bd. of Ed., Hillside, Union Cty., 1977 S.L.D. 366, 1977 S.L.D. 371. Cluff v. Lower Cape May Reg. H.S. Bd. of Ed., 1972 S.L.D. 560.

6:20-2A.4 Accounting and reporting directives

The Commissioner shall prepare accounting and reporting directives to be used by school officials in keeping the double entry bookkeeping and accounting system mandated in this subchapter and shall from time to time prepare, publish and distribute books, materials or bulletins for the guidance of school officials.

Amended by R.1989 d.86, effective February 6, 1989.
See: 20 N.J.R. 2502(a), 21 N.J.R. 292(a).

Added "accounting and reporting directives" and "mandated". Repealed old section 2.4 Physical property records.

Case Notes

Step-down method used by children's rehabilitation hospital to determine fringe benefit expense was reasonable even though result was more than that for which hospital was reimbursed. *Children's Seashore House v. Department of Education*, 93 N.J.A.R.2d (EDU) 629, 95 N.J.A.R.2d (EDU) 205.

6:20-2A.5 Supplies and equipment

(a) Criteria to distinguish between supplies and equipment for accounting purposes as prescribed by GAAP pursuant to N.J.A.C. 6:20-2A.1 and contained in the Financial Accounting for Local and State School Systems (presently referred to as Handbook 2R2) which is established by the National Center for Education Statistics, is herein adopted by reference and on file and may be reviewed at the Office of Administrative Law, Quakerbridge Plaza, Building 9, CN 049, Trenton, New Jersey and the Department of Education, 225 West State Street, CN 500, Trenton, New Jersey.

(b) For the purpose of this section, "food supplies" shall include only those supplies which are to be eaten or drunk and those substances which may enter into the composition of a food in the operation of a school cafeteria or in a home economics class.

(c) Public notification of method of purchase:

1. Whenever any district board of education elects to purchase food supplies pursuant to this section, it shall adopt a policy stating what food supplies will be purchased without advertising for bids, designating a person or persons authorized to purchase food supplies, describing the procedure by which interested vendors may become eligible to submit quotations, and outlining the method by which the district board of education will solicit and accept quotations.

2. This policy shall be adopted before the opening of schools in September and shall be made known to the public.

(d) Specifications and quotations shall be as follows:

1. Definite and uniform specifications governing standards of quality shall be given to each eligible vendor from whom quotations are solicited.

2. Each time a purchase of food supplies is to be made, the person designated by the district board of education to purchase food supplies shall solicit quotations from interested, eligible vendors in the manner prescribed in the adopted district board of education policy. Quotations for fresh or frozen fruits, vegetables and meats need not be solicited more than once in any two-week period.

3. The food supplies on which quotations are obtained shall be purchased from the vendor giving the lowest quotation unless the person or persons designated by the district board of education to purchase food supplies can justify the purchase from one of the other vendors submitting a quotation; such justification, together with all quotations received, shall be in permanent record form, available to school officials, the district board of education and the Department of Education for review and for audit for a minimum of three years.

4. Contingent upon approval of the district board of education in its adopted policy, the person or persons designated by the district board of education to purchase food supplies may purchase food supplies for any school cafeteria or home economics class to the extent of not more than \$250.00 in any month without soliciting quotations, provided a statement signed by the purchaser is filed with the invoice indicating the reason why quotations could not be obtained; such record shall also be retained for review and for audit.

(e) Paragraphs (d)1, 2 and 3 above shall not apply to food supplies purchased by advertising for bids.

As amended, R.1980 d.381, effective September 5, 1980.
See: 12 N.J.R. 453(a), 12 N.J.R. 569(d).

(d)4 was \$100.00.

Amended by R.1985 d.452, effective September 3, 1985.
See: 17 N.J.R. 1361(a), 17 N.J.R. 2105(b).

Added "district board of education".

Amended by R.1989 d.86, effective February 6, 1989.
See: 20 N.J.R. 2502(a), 21 N.J.R. 292(a).

Substituted "this section" for "these rules".

Amended by R.1990 d.393, effective August 6, 1990.
See: 22 N.J.R. 1246(a), 22 N.J.R. 2345(a).

"Handbook 2R2" adopted by reference at (a).

6:20-2A.6 Mechanical bookkeeping systems

District boards of education which contract for electronic data processing bookkeeping services shall annually have an audit prepared or obtain a copy of an audit of the internal controls of the service company or agency as prescribed by Statement of Auditing Standards No. 44 of the American Institute of Certified Public Accountants and maintain a copy of such audit on file.

Amended by R.1985 d.452, effective September 3, 1985.
See: 17 N.J.R. 1361(a), 17 N.J.R. 2105(b).

(b) added.

Amended by R.1989 d.86, effective February 6, 1989.
See: 20 N.J.R. 2502(a), 21 N.J.R. 292(a).

Added text "or obtain a copy of an audit" and "as prescribed by Certified Public Accountant".

Amended by R.1990 d.393, effective August 6, 1990.

See: 22 N.J.R. 1246(a), 22 N.J.R. 2345(a).

Deleted (a), prior approval by Commissioner for use of electronic and mechanical systems deleted.

6:20-2A.7 Employee organizational dues

(a) Pursuant to provisions of N.J.S.A. 52:14-15.9(e), any person holding employment with a district board of education in this State may have deductions made from this compensation for the purpose of paying dues to a bona fide employee organization.

(b) Employees desiring payroll deductions of organizational dues should indicate, in writing, their choice of employee organization. Any such written authorization may be withdrawn at any time by filing a notice with the secretary of the district board of education, according to directions promulgated by the Commissioner.

(c) Any secretary of a district board of education making organizational payroll deductions shall submit to the designated employee organization all deductions made for such purposes.

Amended by R.1985 d.452, effective September 3, 1985.

See: 17 N.J.R. 1361(a), 17 N.J.R. 2105(b).

Added "district".

Amended by R.1989 d.86, effective February 6, 1989.

See: 20 N.J.R. 2502(a), 21 N.J.R. 292(a).

Old section 2.7 was "Bookkeeping and accounting forms" and was repealed.

Case Notes

School board was not in violation of prohibition against use of public money except for public purposes by forwarding once a month total amount of employees' monthly contributions to credit union and/or annuity agent. Neptune Board of Education v. Neptune Township Association, 95 N.J.A.R.2d (EDU) 209.

6:20-2A.8 Petty cash fund

(a) Pursuant to the provisions of N.J.S.A. 18A:19-13, a district board of education may establish on July 1 of each year, or as needed, a petty cash fund or funds for the purpose of making immediate payments of comparatively small amounts.

(b) A district board of education establishing a petty cash fund shall:

1. Indicate the amount or amounts authorized for each fund;
2. Set the maximum expenditure which may be made from each fund;
3. Designate an individual who will be responsible for the proper disposition of each fund;
4. Establish the minimum time period in which the designated person shall report to the district board of education on amounts disbursed from each fund; and

5. Approve a voucher prepared by the board secretary to replenish each fund.

(c) All unused petty cash funds are to be returned to the depository at the close of each fiscal year.

As amended, R.1983 d.491, effective November 7, 1983.

See: 15 N.J.R. 982(a), 15 N.J.R. 1861(a).

Added to (b), 1-5 and (c).

Amended by R.1985 d.452, effective September 3, 1985.

See: 17 N.J.R. 1361(a), 17 N.J.R. 2105(b).

Added "district".

Amended by R.1990 d.21, effective January 16, 1990.

See: 21 N.J.R. 2919(a), 22 N.J.R. 176(a).

Deleted the word "imprest" before petty cash fund.

6:20-2A.9 Summer payment plan

Funds withheld from employees' salaries for the summer payment plan prescribed by N.J.S.A. 18A:29-3 shall be deposited in a separate account in a depository designated by the district board of education, said account to be known as Board of Education of _____ Summer Payment Plan Account. Withdrawals from this account shall be made by individual checks payable to the order of employees for the amount withheld from their salaries during the school year. A payment list shall be certified by the president and secretary of the district board of education and delivered to the treasurer of school moneys of the district board of education.

Amended by R.1985 d.452, effective September 3, 1985.

See: 17 N.J.R. 1361(a), 17 N.J.R. 2105(b).

Substituted "treasurer" for "custodian"; added "district".

6:20-2A.10 Overexpenditure of funds

(a) A district board of education shall implement controls over budgeted appropriations as follows:

1. No encumbrance or expenditure (liability or payment) shall be approved which when added to the total of existing encumbrances and expenditures exceeds the amount appropriated by the district board of education in the applicable line item account established pursuant to the minimum chart of accounts referenced in N.J.A.C. 6:20-2A.2(m)1. A line item account is defined as the lowest (most specific) level of detail in the appropriation/expenditure classification.
2. When a district board of education adopts an expanded chart of accounts pursuant to N.J.A.C. 6:20-2A.2(m)2, such district board of education shall adopt a policy concerning the controls over appropriations for line item accounts which exceed the minimum level of detail established pursuant to N.J.A.C. 6:20-2A.2(m)1. If a district board of education fails to adopt such a policy, the restrictions contained in (a)1 above shall apply to line item accounts which exceed the minimum level of detail.