

**BOARD OF EDUCATION OF THE
CITY OF SALEM SCHOOL DISTRICT
COUNTY OF SALEM**

**AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2017**

CITY OF SALEM SCHOOL DISTRICT
Auditor's Management Report on Administrative
Findings - Financial, Compliance and Performance

Table of Contents

	<u>Page</u>
Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance	1
Scope of Audit	2
Administrative Practices and Procedures	
Insurance	2
Official Bonds	2
Tuition Charges	2
Financial Planning, Accounting and Reporting	
Examination of Claims	2
Payroll Account	2
Employee Position Control Roster	3
Encumbrances and Accounts Payable	3
Travel	3
Classification of Expenditures	3
• General Classifications	3
• Administrative Classifications	3
Board Secretary's Records	3
Treasurer's Records	3
Elementary and Secondary Education Act (E.S.E.A.) / Improving America's Schools Act (I.A.S.A.) as reauthorized by the No Child Left Behind Act (N.C.L.B.) of 2001	3
Other Special Federal and / or State Projects	3
TPAF Reimbursement	4
TPAF Reimbursement to the State for Federal Salary Expenditures	4
School Purchasing Programs	4
Contracts and Agreements Requiring Advertisement for Bids	4
School Food Service	5
Student Body Activities	5
Application for State School Aid (ASSA)	6
Pupil Transportation	6
Facilities and Capital Assets	6
Miscellaneous	7
Follow-up on Prior Year Findings	7
Acknowledgment	7
Schedule of Meal Count Activity	8
Schedule of Net Cash Resources	9
Schedule of Audited Enrollments	10
Excess Surplus Calculation	13
Audit Recommendations Summary	16

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE**

The Honorable President and
Members of the Board of Education
City of Salem School District
County of Salem, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the City of Salem School District, in the County of Salem, State of New Jersey, as of and for the fiscal year ended June 30, 2017, which were separately issued in the Comprehensive Annual Financial Report dated December 4, 2017.

As part of our audit, we also performed procedures required by the Division of Administration and Finance, Department of Education, State of New Jersey, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents.

This report is issued in conjunction with the Comprehensive Annual Financial Report of the City of Salem School District, for the fiscal year ended June 30, 2017, and is intended for the information of the School District's management and the Division of Administration and Finance, Department of Education, State of New Jersey. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Henry J. Ludwigsen
Certified Public Accountant
Public School Accountant No. CS 001112

Woodbury, New Jersey
December 4, 2017

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

SCOPE OF AUDIT

The audit covered the financial transactions of the Board Secretary / School Business Administrator and the Treasurer of School Moneys, the activities of the Board of Education, and the records of the various funds under the auspices of the Board of Education.

ADMINISTRATIVE PRACTICES AND PROCEDURES

Insurance

Fire insurance coverage was carried in the amounts as detailed on exhibit J-20, insurance schedule, contained in the School District's Comprehensive Annual Financial Report (CAFR).

Official Bonds (N.J.S.A. 18A: 17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Herbert Schectman	Board Secretary / School Business Administrator	\$50,000
Linda Jones	Treasurer of School Moneys	300,000

There is a blanket dishonesty bond covering all other employees with the following coverage: \$100,000 all other employees with multiple coverage of \$100,000.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The School District made a proper adjustment to the billings to sending districts for the decrease in per pupil costs in accordance with N.J.A.C. 6A:23A-17.1(f)3.

FINANCIAL PLANNING, ACCOUNTING, AND REPORTING

Examination of Claims

Sampled claims paid during the fiscal year under audit did not indicate any reportable noncompliance with respect to signatures, certification, or supporting documentation.

Payroll Account

The net salaries of sampled employees of the School District were deposited in the net payroll account. Employees' payroll deductions and the employer's share of fringe benefits were deposited in the payroll agency account.

Sampled payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary / School Business Administrator.

Sampled salary withholdings were promptly remitted to the proper agencies, including health benefit premium withholdings due to the general fund.

Sampled payrolls were delivered to the Treasurer of School Moneys who then deposited with warrants in separate bank accounts for net payroll and withholdings.

FINANCIAL PLANNING, ACCOUNTING, AND REPORTING (CONT'D)

Employee Position Control Roster

A sample of the Employee Position Control Roster indicated that it was in satisfactory condition and was approved by the county office submission with the 2016-2017 budget review checklist.

Encumbrances and Accounts Payable

A sample of outstanding issued purchase orders was made as of June 30 for proper classification of orders as encumbrances and accounts payable. Our sample did not indicate any reportable noncompliance with respect to classification of orders.

Travel

A sample of travel expenditures during the fiscal year under audit did not indicate any reportable noncompliance.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23A-16.2(f) as part of our randomly sampled expenditure transactions. We also tested the coding of all expenditures included in our compliance and single audit sampling procedures. In addition, a sample was selected that specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. Our samples did not indicate any reportable noncompliance with respect to classification of expenditures. As a result of the procedures performed, a transaction error rate of 0.10% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

Our audit of the financial and accounting records maintained by the Board Secretary indicated that they were in satisfactory condition, although several adjustments were necessary to properly reflect actual results and balances.

Treasurer of School Moneys' Records

Our audit of the financial and accounting records maintained by the Treasurer of School Moneys indicated that they were in satisfactory condition.

Elementary and Secondary Education Act (E.S.E.A.) / Improving America's Schools Act (I.A.S.A.) as reauthorized by the No Child Left Behind Act (N.C.L.B.) of 2001

The E.S.E.A. / N.C.L.B. financial exhibits are contained within the special revenue section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and II of the Elementary and Secondary Education Act as amended and reauthorized.

The audit of compliance for E.S.E.A. did not indicate any reportable noncompliance.

Other Special Federal and / or State Projects

The School District's other special projects were approved as listed on exhibits K-3 and K-4 located in the CAFR.

Our audit of the federal and state funds on a sample basis indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the special revenue section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned other special projects.

The audit of compliance for other special projects did not indicate any reportable noncompliance.

FINANCIAL PLANNING, ACCOUNTING, AND REPORTING (CONT'D)

TPAF Reimbursement

Our audit procedures included a sample of the biweekly reimbursements filed with the Department of Education for School District employees who are members of the Teachers' Pension and Annuity Fund. One exception was noted resulting in an over requested amount of \$1,332.64. This amount was not significant enough or of a systemic nature to warrant a finding.

TPAF Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's final report(s) for all federal awards for the School District to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the School District for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 day grant liquidation period required by the Office of Grants Management and N.J.S.A. 18A:66-90. The expenditure was inspected subsequent to the reimbursement and an error of \$705.00 was noted and subsequently paid.

SCHOOL PURCHASING PROGRAMS

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-1 et seq. (Public School Contracts Law), the associated rules and related information on the statute, and the school contracts in general, are available on the following website:

<http://www.state.nj.us/dca/divisions/dlgs/programs/lpcl.html>

Current statute is posted on the New Jersey Legislature website at:

http://lis.njleg.state.nj.us/cgi-bin/om_isapi.dll?clientID=1319801&depth=2&expandheadings=off&headingswithhits=on&infobase=statutes.nfo&oftpage=TOC_Frame_Pg42

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000.00 (with a Qualified Purchasing Agent) and \$29,000.00 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is \$18,800.00 for 2016-17.

The School District's Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

Based on the results of our audit, we did not note any individual payments, contracts, or agreements made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4, amended.

Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

SCHOOL FOOD SERVICE

The financial transactions and statistical records of the school food service fund were audited. The financial accounts, meal count records, and eligibility applications were tested on a sample basis. The following exceptions were noted: Breakfast meals claimed exceeded meals served by 4.

Cash receipts and bank records were sampled for timely deposit. No exceptions were noted.

The School District utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. Provisions of the FSMC contract / addendum were inspected and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will return a profit of at least \$50,000.00. The operating results provision has been met.

Expenditures should be separately recorded as food, labor, and other costs. Vendor invoices were sampled and costs verified. Inventory records on food and supply items were currently maintained and properly applied in determining the cost of food and supplies used.

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service.

Net cash resources did exceed three months average expenditures.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process, the Edit Check Worksheet was completed. Reimbursement claims were submitted / certified in a timely manner.

Sampled applications for free and reduced price meals were tested for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications and / or to the list of directly certified students on file, times the number of operating days, on a school-by-school basis. The free and reduced price meal and free milk policy was inspected for uniform administration throughout the school system. The required verification procedures for free and reduced price applications were completed and available for audit.

USDA Food Distribution Program (food and / or commodities) were received and a single inventory was maintained on a first-in, first-out basis. No exceptions were noted.

The statement of revenues, expenses, and changes in fund net position (CAFR exhibit B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

The School District did provide the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds, Section G of the CAFR.

STUDENT BODY ACTIVITIES

Our audit of the financial and accounting records for student activities indicated that they were in satisfactory condition.

APPLICATION FOR STATE SCHOOL AID

Our audit procedures included a sample of information reported in the October 15, 2016 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the disabled, low-income, and bilingual. We also performed an inspection of the School District procedures related to its completion. The information on the A.S.S.A. was compared to the School District workpapers without exception. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the schedule of audited enrollments.

The School District maintained workpapers on the prescribed State forms or their equivalent.

The School District has adequate written procedures for the recording of student enrollment data.

Finding 2017-001 (CAFR Finding 2017-001)

Numerous student count errors exist on the district's Application for State School Aid (ASSA). Not all students counted as Low Income had Household Surveys, not all students counted as Special Education had an Individualized Education Program (IEP), not all students counted as Private School for the Handicapped were enrolled at the district at the date of the count, not all students counted as Limited English Proficient (LEP) were tested and not all students counted as special needs transportation included this need in their IEP.

Recommendation

That student counts be properly reported on the district's ASSA.

PUPIL TRANSPORTATION

Our audit procedures included a sample of on-roll status reported in the 2016-2017 District Report of Transported Resident Students (DRTRS). The information that was reported on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures are presented in the schedule of audited enrollments.

Finding 2017-001 (CAFR Finding 2017-001)

Numerous student count errors exist on the district's Application for State School Aid (ASSA). Not all students counted as Low Income had Household Surveys, not all students counted as Special Education had an Individualized Education Program (IEP), not all students counted as Private School for the Handicapped were enrolled at the district at the date of the count, not all students counted as Limited English Proficient (LEP) were tested and not all students counted as special needs transportation included this need in their IEP.

Recommendation

That student counts be properly reported on the district's ASSA.

Our procedures also included a sample of transportation related contracts and purchases. Based on our sample, the School District complied with proper bidding procedures and award of contracts. No exceptions were noted in our sample of transportation related purchases of goods and services.

FACILITIES AND CAPITAL ASSETS

Our audit of the financial and accounting records for facilities and capital assets indicated that they were in satisfactory condition.

MISCELLANEOUS

Continuing Disclosure Agreements

The School District complied with its most recent continuing disclosure agreements made in relation to prior year bond issuances.

Testing for Lead of All Drinking Water in Education Facilities

The School District did comply with all the requirements of N.J.A.C. 6A:26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

FOLLOW-UP ON PRIOR YEAR'S FINDINGS

There were no audit findings for the fiscal year ended June 30, 2016.

There were no Office of Fiscal Accountability and Compliance audit reports issued during the fiscal year ended June 30, 2017.

ACKNOWLEDGMENT

We received the complete cooperation of all of the officials of the School District and we greatly appreciate the courtesies extended to the members of the audit team.

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Henry J. Ludwigsen
Public School Accountant No. CS 001112

CITY OF SALEM SCHOOL DISTRICT
 Schedule of Meal Count Activity
 Food Service Fund
 Number of Meals Served and (Over) / Underclaim - Federal
 Enterprise Fund
 For the Fiscal Year Ended June 30, 2017

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>Estimated (Over) / Under Claim</u>
National School Lunch (Regular Rate)	Paid				-	\$ 0.32	\$ -
	Reduced				-	2.78	-
	Free	<u>187,220</u>	<u>187,220</u>	<u>187,220</u>	<u>-</u>	3.18	<u>-</u>
	Total	<u>187,220</u>	<u>187,220</u>	<u>187,220</u>	<u>-</u>		<u>-</u>
National School Lunch	HHFKA - PB Lunch Only	<u>187,220</u>	<u>187,220</u>	<u>187,220</u>	<u>-</u>	0.06	<u>-</u>
School Breakfast (Regular Rate)	Paid				-	0.29	-
	Reduced				-	1.74	-
	Free	<u>160,412</u>	<u>160,412</u>	<u>160,408</u>	<u>(4)</u>	2.04	<u>(8.16)</u>
	Total	<u>160,412</u>	<u>160,412</u>	<u>160,408</u>	<u>(4)</u>		<u>(8.16)</u>
Special Milk	Paid	<u>9,471</u>	<u>9,471</u>	<u>9,471</u>	<u>-</u>	0.1975	<u>-</u>
After School Snacks	Paid				-	0.07	-
	Reduced	-	-	-	-	0.43	-
	Free (Area Eligible)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	0.86	<u>-</u>
	Total	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>-</u>
CACFP (d) - Food	Free				-	3.16	-
CACFP (d) - Cash-in-lieu of USDA Foods	Free	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	0.23	<u>-</u>
Total Net Underclaim / (Overclaim)							<u>\$ (8.16)</u>

CITY OF SALEM SCHOOL DISTRICT
 Schedule of Net Cash Resources
 Net Cash Resources Did Exceed Three Months of Expenditures
 Proprietary Funds - Food Service Fund
 For the Fiscal Year Ended June 30, 2017

<u>Net Cash Resources:</u>		Food Service B - 4/5	
CAFR	Current Assets		
B-4	Cash & Cash Equivalents	\$ 426,063.21	
B-4	Due from Other Governments		
B-4	Due from Other Funds		
B-4	Accounts Receivable	53,580.32	
CAFR	Current Liabilities		
B-4	Less Accounts Payable	(47,098.32)	
B-4	Less Accruals		
B-4	Less Due to Other Funds		
B-4	Less Unearned Revenue	(2,470.16)	
	Net Cash Resources	\$ 430,075.05	(A)
<u>Net Adjusted Total Operating Expense:</u>			
B-5	Total Operating Expenditures	\$ 1,059,334.59	
B-5	Less Depreciation	(10,713.64)	
	Adjusted Total Operating Expense	\$ 1,048,620.95	(B)
<u>Average Monthly Operating Expense:</u>			
	B / 10	\$ 104,862.10	(C)
<u>Three Times Monthly Average:</u>			
	3 X C	\$ 314,586.29	(D)

TOTAL IN BOX A	\$	430,075.05	
LESS TOTAL IN BOX D	\$	314,586.29	
NET	\$	115,488.77	

From above:
 A is greater than D, cash exceeds 3 X average monthly operating expenses.
 D is greater than A, cash does not exceed 3 X average monthly operating expenses.

CITY OF SALEM SCHOOL DISTRICT
 Application for State School Aid Summary
 Schedule of Audited Enrollments
 Enrollment as of October 15, 2016

	2017-2018 Application for State School Aid						Sample for Verification						Private Schools for the Disabled			
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Registers On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample for Verifi- cation	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool																
Full Day Preschool	151		143		8		143		143							
Half Day Kindergarten																
Full Day Kindergarten	99		90		9		90		90							
One	98		97		1		97		97							
Two	96		81		15		81		81							
Three	73		60		13		60		60							
Four	76		61		15		61		61							
Five	62		41		21		41		41							
Six	55		42		13		42		42							
Seven	69		48		21		48		48							
Eight	58		40		18		40		40							
Nine	99		73		26		73		73							
Ten	94		70		24		70		70							
Eleven	81		64		17		64		64							
Twelve	69	1	57		12		57		57							
Post-Graduate																
Adult H.S. (15+CR.)																
Adult H.S. (1-14CR.)																
Subtotal	1,180	1	967	-	213	-	967	-	967	-	-	-	-	-	-	-
Special Education-Elementary	90		91		(1)		13		13				3	2	2	
Special Education-Middle School	50		54		(4)		15		14		1		3	2	2	
Special Education-High School	83	1	81		2		20		19		1		5	3	2	1
Subtotal	223	1	226	-	(3)	-	48	-	46	-	2	-	11	7	6	1
Co. Voc. - Regular																
Co. Voc. Ft. Post Sec.																
Subtotal					-	-					-	-	-	-	-	-
Totals	1,403	2	1,193	-	210	-	1,015	-	1,013	-	2	-	11	7	6	1
Percentage Error					17.60%						0.20%					14.29%

CITY OF SALEM SCHOOL DISTRICT
 Application for State School Aid Summary
 Schedule of Audited Enrollments
 Enrollment as of October 15, 2016

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A. as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Application, Test Score and Register	Sample Errors
Half Day Preschool												
Full Day Preschool												
Half Day Kindergarten												
Full Day Kindergarten												
One	75	76	(1)	36	30	6						
Two	77	77		22	16	6	1	2	(1)	2		2
Three	71	68	3	20	18	2						
Four	46	46		14	12	2	2	2		2	1	1
Five	50	50		15	12	3	3	1	2	1		1
Six	35	34	1	10	8	2	1	2	(1)	2		2
Seven	32	32		10	6	4		1	(1)	1		1
Eight	41	40	1	11	9	2	1	1		1		1
Nine	30	29	1	9	7	2						
Ten	41	46	(5)	14	12	2						
Eleven	38	35	3	10	9	1						
Twelve	34	34		10	10							
Post-Graduate	25	27	(2)	8	5	3						
Adult H.S. (15+CR.)												
Adult H.S. (1-14CR.)												
Subtotal	595	594	1	189	154	35	8	9	(1)	9	1	8
Special Education-Elementary	51	63	(12)	18	17	1	2	3	(1)	3	1	2
Special Education-Middle School	31	32	(1)	9	8	1	1	1		1	1	
Special Education-High School	41.5	56	(14.5)	16	16			1	(1)			
Subtotal	123.5	151	(27.5)	43	41	2	3	5	(2)	4	2	2
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Subtotal			-			-	-	-	-	-	-	-
Totals	718.5	745	(26.5)	232	195	37	11	14	(3)	13	3	10
Percentage Error			<u>-3.69%</u>			<u>15.95%</u>			<u>-27.27%</u>			<u>76.92%</u>

	Transportation						Reg. Avg. (Mileage) = Regular Including Grade PK students (Part A)	Reg. Avg. (Mileage) = Regular Excluding Grade PK students (Part B)	Spec. Avg. (Mileage) = Special Ed. with Special Needs	Reported	Re-Calculated
	Reported on DRTRS by DOE/County	Reported on DRTRS by District	Errors	Tested	Verified	Errors					
Reg. - Public Schools, Col. 1	81	81		55	55				4.4	4.4	
Reg. - SpEd, Col. 4	7	7		5	2	3			4.4	4.4	
Transported - Non-Public, Col. 3											
Special Needs, Col. 6	63	63		43	32	11			10.0	10.0	
Totals	151	151	-	103	89	14					
Percentage Error			<u>-</u>			<u>13.59%</u>					

CITY OF SALEM SCHOOL DISTRICT
 Application for State School Aid Summary
 Schedule of Audited Enrollments
 Enrollment as of October 15, 2016

	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.S.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Half Day Preschool						
Full Day Preschool						
Half Day Kindergarten						
Full Day Kindergarten						
One	3		3			
Two						
Three						
Four						
Five						
Six						
Seven						
Eight		1	(1)	1		1
Nine	1	1		1	1	
Ten						
Eleven	1	1				
Twelve						
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14CR.)						
Subtotal	<u>5</u>	<u>3</u>	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>
Special Education-Elementary						
Special Education-Middle School						
Special Education-High School						
Subtotal			-	-	-	-
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Subtotal	-	-	-	-	-	-
Totals	<u>5</u>	<u>3</u>	<u>2</u>	<u>2</u>	<u>1</u>	<u>1</u>
Percentage Error			<u>0</u>			<u>50.00%</u>

EXCESS SURPLUS CALCULATION

SCHOOL BASED BUDGET DISTRICT

SECTION 1

2% Calculation of Excess Surplus

2016-17 Total General Fund Expenditures Reported on CAFR Exhibit C-1	<u>23,915,323.20</u> (A)
Increased by Applicable Operating Transfers:	
Transfer from Capital Outlay to Capital Projects Fund	<u>-</u> (A1a)
Transfer from Capital Reserve to Capital Projects Fund	<u>-</u> (A1a)
Transfer from General Fund to Special Revenue Fund for Preschool - Regular	<u>-</u> (A1a)
Transfer from General Fund to Special Revenue Fund for Preschool - Inclusion	<u>-</u> (A1a)
Less: Expenditures Allocated to Restricted Federal Resources as reported on Exhibit D-2	<u>-</u> (A1b)
2016-17 Adjusted General Fund & Other State Expenditures [(A)+(A1a)-(A1b)]	<u>23,915,323.20</u> (A2)
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>2,761,587.92</u> (A3)
Assets Acquired Under Capital Leases:	
General Fund 10 Assets Acquired Under Capital Leases Reported on Exhibit C-1a	<u>-</u> (A4)
Add: General Fund & State Resources Portion of Fund 15 Assets Acquired Under Capital Leases:	
Assets Acquired Under Capital Leases in Fund 15 Reported on Exhibit C-1a	<u>-</u> (A5)
Combined General Fund Contribution & State Resources % of Fund 15 Resources Reported on Exhibit D-2	<u>0%</u> (A6)
General Fund & State Resources Portion of Fund 15 Assets Acquired Under Capital Leases [(A5)*(A6)]	<u>-</u> (A7)
Total Assets Acquired Under Capital Leases [(A4)+(A7)]	<u>-</u> (A8)
2016-17 General Fund Expenditures [(A2)-(A3)-(A8)]	<u>21,153,735.28</u> (A9)
2% of Adjusted 2016-17 General Fund Expenditures [(A9) times .02]	<u>423,074.71</u> (A10)
Enter Greater of (A10) or \$250,000	<u>423,074.71</u> (A11)
Increased by: Allowable Adjustment *	<u>153,047.00</u> (K)
Maximum Unassigned Fund Balance [(A11)+(K)]	<u>576,121.71</u> (M)

EXCESS SURPLUS CALCULATION (CONT'D)

SCHOOL BASED BUDGET DISTRICT

SECTION 2

Total General Fund - Fund Balances at June 30, 2017	<u>3,079,433.99</u> (C)
Decreased by:	
Year-end Encumbrances	<u>439,450.82</u> (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	<u>-</u> (C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	<u>1,214,232.29</u> (C3)
Other Restricted Fund Balances ****	<u>300,703.00</u> (C4)
Assigned Fund Balance - Designated for Subsequent Year's Expenditures	<u>213,902.71</u> (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	<u>911,145.17</u> (U)

SECTION 3

Restricted Fund Balance - Excess Surplus *** [(U)-(M)] IF NEGATIVE ENTER -0-	<u>335,023.46</u> (E)
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Recapitulation of Excess Surplus as of June 30, 2017

Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	<u>1,214,232.29</u> (C3)
Restricted - Excess Surplus *** [(E)]	<u>335,023.46</u> (E)
Total Excess Surplus [(C3)+(E)]	<u>1,549,255.75</u> (D)

Footnotes:

* Allowable adjustment to expenditures on line K must be detailed as follows. This adjustment line (as detailed below is to be utilized

(H) Federal Impact Aid. The passage of P.L.2015, c.46 amended N.J.S.A. 18A:7F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general fund. Accordingly, effective for the year ending June 30, 2016 the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve – General (8002 or 8003) by board resolution during June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4);

(I) Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10);

(J1) Extraordinary Aid;

(J2) Additional Nonpublic School Transportation Aid;

(J3) Recognized current year School Bus Advertising Revenue; and

(J4) Family Crisis Transportation Aid.

Detail of Allowable Adjustments

Federal Impact Aid	<u>-</u> (H)
Sale & Lease-Back	<u>-</u> (I)
Extraordinary Aid	<u>153,047.00</u> (J1)
Additional Nonpublic School Transportation Aid	<u>-</u> (J2)
Current Year School Bus Advertising Revenue Recognized	<u>-</u> (J3)
Family Crisis Transportation Aid	<u>-</u> (J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	<u>153,047.00</u> (K)

EXCESS SURPLUS CALCULATION (CONT'D)

SCHOOL BASED BUDGET DISTRICT

Footnotes: (Cont'd)

- ** This amount represents the June 30, 2017 Excess Surplus (C3 above) and must be included in the Audit Summary Line 90031. This amount was to be appropriated in the 2018-2019 general fund budget.
- *** Amounts must agree to the June 30, 2017 CAFR and must agree to Audit Summary Line 90030.
- **** Amount for Other Restricted Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by another type of government, such as the judicial branch of government, must have departmental approval. District requests should be submitted to the Division of Administration and Finance

Detail of Other Restricted Fund Balance

Statutory restrictions:

Approved unspent separate proposal	-
Sale/lease-back reserve	-
Capital reserve	<u>300,703.00</u>
Maintenance reserve	-
Tuition reserve	-
Emergency reserve	-
School bus advertising 50% fuel offset reserve	-
School bus advertising 50% fuel offset reserve	-
Impact Aid General Fund Reserve (Sections 8002 and 8003)	-
Impact Aid Capital Fund Reserve (Sections 8007 and 8008)	-
Other state/government mandated reserves	-
[Other Restricted Fund Balance not noted above]****	-
Total Other Restricted Fund Balance	<u><u>300,703.00</u></u> (C4)

CITY OF SALEM SCHOOL DISTRICT
Audit Recommendations Summary
For the Fiscal Year Ended June 30, 2017

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

None

3. School Purchasing Programs

None

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

That student counts be properly reported on the district's Application for State School Aid (ASSA).

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

There were no prior year recommendations.