

***TOWNSHIP OF EDISON
SCHOOL DISTRICT
COUNTY OF MIDDLESEX, NEW JERSEY***

***AUDITORS MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS –
FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018***

HODULIK & MORRISON, P.A.
*CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS
PUBLIC SCHOOL ACCOUNTANTS
HIGHLAND PARK, N.J.*

**EDISON SCHOOL DISTRICT
MIDDLESEX COUNTY, NEW JERSEY**

**AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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INDEPENDENT AUDITORS' REPORT

Honorable President and
Members of the Board of Education
Township of Edison School District
Middlesex County
Edison, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey, the basic financial statements of the Board of Education of the Township of Edison School District in the County of Middlesex for the year ended June 30, 2018, and have issued our report thereon dated January 25, 2019.

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

This report is intended for the information of the Township of Edison Board of Education's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.



HODULIK & MORRISON, P.A.
Certified Public Accountants
Public School Accountants



Andrew G. Hodulik
Certified Public Accountant
Public School Accountant #841

January 25, 2019
Highland Park, New Jersey

ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING

Scope of Audit

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

The audit did not and could not determine the character of services rendered for which payment had been made nor could it determine the character, proper price or quantity of materials supplied for which claims had been passed. These details were necessarily covered by the approval of such claims. Revenues and receipts were established and verified as to sources and amount only insofar as the records permitted.

ADMINISTRATIVE PRACTICES AND PROCEDURES

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the district's CAFR.

Official Bonds

The following positions were covered by Surety Bonds:

Daniel P. Michaud, Business Administrator/ Board Secretary	\$800,000.00
Richard Pepe, Assistant Board Administrator	250,000.00
Faithful Performance Blanket Position Coverage	500,000.00

The review of calculated surety bond coverage for the year ended June 30, 2018 indicated the bond amount of \$750,000.00 was not sufficient. Upon notification, the surety bond coverage for the business administrator was increased to a sufficient coverage in the amount indicated above, effective December 1, 2018. As a result of this adjustment, no recommendation is made. We suggest the District's surety bond coverage be maintained current at the prescribed calculated levels.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. Differences in the actual costs as certified by the Department of Education pursuant to the provisions of N.J.A.C. 6A:23-3.1, from estimated costs billed by the Board during the period were negligible. The Board made adjustments to the billings of sending districts for the adjustment in per pupil costs in accordance with N.J.A.C. 6A:23-3.1(f)3.

FINANCIAL PLANNING, ACCOUNTING AND REPORTING

Examination of Claims

An examination of claims paid during the period under review was performed. No exceptions of substance were noted with respect to the processing of vouchers for those items tested. However, for items tested, six (6) exceptions were noted with respect to the purchase order being created subsequent to the date of the invoice. We suggest that efforts be maintained to avoid the use of confirming orders.

Payroll Account

The Board maintained the Net Payroll and Agency Account method for the depositing and payment of its payrolls. The net payrolls from all sources are deposited in the payroll account and all payroll deductions, together with the Board's share, are deposited to the general fund.

Payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/School Business Administrator. Salary withholdings were remitted to the proper agencies, including health benefits premium amounts withheld due to the general fund.

Reserve for Encumbrances and Accounts Payable

A review of outstanding purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable.

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 test of transactions of randomly selected expenditure items. We also reviewed the coding of expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. There were no errors noted for the items tested.

Board Secretary's Records

The review of the financial and accounting records maintained by the District was completed.

Fixed Asset Reporting System

The District had a third-party inventory company review and update the fixed asset report for the June 30, 2017 year-end. However, fixed asset reporting was not updated in a timely fashion for the year ended June 30, 2018.

Recommendation:

Fixed asset transactional activity be maintained within the fixed asset reporting system in a timely manner.

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

General Ledger Cash Reporting

Bank reconciliations were not performed nor agreed to the general ledger balances in a timely manner. In addition, minor adjustments were required to the general ledger to agree to bank reconciliations.

Recommendation:

Bank reconciliations should be performed and agreed to the financial system general ledger on a timely basis.

Health Benefits and Pensions

Minor (2) exceptions were noted with respect to individuals maintained on the health benefit roles in non-employee status. We suggest the District continue to monitor the listing of individuals receiving benefits for proper status.

Workers Compensation Internal Service Fund

As disclosed in the Notes to Financial Statements contained in the Board's CAFR, the Board maintains a self-insurance fund for its compensation claims prior to July 1, 2011. The Board has recorded in full its estimated liability for reported claims at June 30, 2018 in the amount of \$416,800.59 within the estimated liability reserve. The District has converted its Workers' Compensation coverage to a traditional risk transfer premium program beginning July 1, 2011.

Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act (ESSA)

The E.S.E.A. 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 VI of the Elementary and Secondary School Improvement Act, as amended and reauthorized.

The study of compliance for E.S.E.A. indicated there are no areas of noncompliance and/or questionable costs.

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

The examination of the Federal and State funds, on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved. It was noted however, that the IDEA Part B regular financial report for the year ended June 30, 2018 as submitted was not in agreement with the District's financial reporting system information.

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

Other Special Federal and/or State Projects (Cont'd.)

Recommendation:

All grant expenditure reports should be prepared and reviewed for agreement with the District's financial information reporting system prior to filing.

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 special projects.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement forms filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted for items tested. Additionally, reimbursement to the State for TPAF/FICA payments was made timely.

SCHOOL PURCHASING PROGRAMS

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 states"

"a. When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$17,500.00, the contract may be awarded by a purchasing agent when so authorized by resolution of the board of education without public advertising for bids and bidding therefore, except that the board of education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotes. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A: 11-9) the board of education may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by general delegation of the power to negotiate and award such contracts pursuant to this section."

"b. Commencing in the fifth year after the year in which P.L. 1999. c.440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the board of education is permitted to establish as set forth in subsection a. of this section to the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S. 18A:18A-2, and shall round the adjustment to the nearest \$1,000. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1, of the year in which it is made."

"Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection a. of N.J.S.18A:18A-5 may be awarded for a period not exceeding 12 consecutive months."

N.J.S.A. 18A:18A-4 states, "Every contract or agreement for the performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the board of education to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law."

SCHOOL PURCHASING PROGRAMS (Cont'd.)

Contracts and Agreements Requiring Advertisement for Bids (Cont'd.)

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and N.J.S.A. §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 currently \$19,000.00.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal 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.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The results of the examination indicated that individual payments, contracts or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," 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 for kitchen repairs, water main break and office furniture.

Recommendation:

Procedures be reviewed to ensure compliance with the provisions of the public school contracts law.

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

The results of the audit indicated that the existing procurement policies and procedures were adequate in most cases to identify contemplated purchases, which required additional procedures (quotes, bids, etc.) to comply with the provisions of the School Contracts Law.

OTHER MATTERS

School Food Service Fund

The financial awards or assistance associated with the school food service program were not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000.00 in federal support. Accordingly, we inquired of school management and appropriate school food service personnel, as to whether the School Food Authority (SFA) had any Child Nutrition reimbursement overclaims or underclaims. No exceptions were noted.

We also inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

It was noted that food service fund cash receipts deposited to the District's depository account were not always reconciled to the food service fund provider revenue reports.

Recommendation:

Cash receipts deposited to the District's food service fund depository account should be reconciled by the food service provider to the food service provider revenue reports.

The Statement of Revenues, Expenses and Changes in Fund Net Assets reported in the District's CAFR separates program and non-program revenue and cost of goods sold based upon reporting provided by the food service provider. This segregation of information was not indicated as part of the SOC 1 review prepared on behalf of the provider.

Student Activity and Athletic Funds

The recordkeeping of the various student activities funds was reviewed for the current school year. The District has adopted a policy that outlines the acceptable procedures for the processing of expenses for the school principals. Minor exceptions were noted with respect to deposits within 48 hours, supporting documentation and the lack of approving signatures. We suggest the District should continue to monitor the student activities funds for improvement in the quality of recordkeeping.

Application for State School Aid

Audit procedures included a test of information reported in the October 15, 2017 Applications for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low income and bilingual. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers, with exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

The District maintained workpapers on the prescribed state forms or their equivalent. The District has written procedures for the recording of student enrollment data. Minor exceptions were noted in the review of the A.S.S.A. information provided, including the use of carryover direct certifications for the use in the certification of the A.S.S.A. Low Income count. It was also noted there was a significant delay in the providing of the low-income lunch applications for review in the required A.S.S.A program testing.

Recommendation:

Minor exceptions should be avoided in the preparation of the Applications for State School Aid (A.S.S.A.).

OTHER MATTERS (CONT'D.)

Pupil Transportation

Our procedures included a test of on-roll status reported in the 2017-2018 year District Report of Resident Transported Students (DRTRS). The information included on the DRTRS was verified to the DRTRS Eligibility Summary Report with two (2) exceptions noted from a 312-item sample size. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the district complied with proper bidding procedures and award of contracts. No exceptions were noted in our review of transportation related purchases of goods and services, for items tested.

Grant Administration

During the school year, the District operated programs that were funded in whole or in part by state or federal grant awards. As part of the acceptance of these funds, the District is required to make assurances to the grantor agency that it will comply, in its general operations as well as in the operation of grant funded programs, with various laws and regulations. In addition, the individual grant contracts impose specific compliance requirements for the operations of each program. A finding noted with respect to the remittance of unused grant funds to the grantor agency upon the closeout of a grant is an example of compliance requirements. In addition, as with other local entities, due to weaknesses in the grant notification process followed by certain agencies that pass-through federal and state assistance to the District, the District does not always receive accurate and timely information with respect to grant funding sources, along with the relevant CFDA and account number information from its grantor agencies, which can inhibit the preparation of the schedules of financial assistance. Based upon the myriad compliance and reporting requirements for grant awards, the District should continue to develop sound administrative functions over grant programs.

The acceptance of grant funds also places additional requirements upon the District with respect to the District's system of internal controls. Based upon the matrix of requirements applicable to a specific grant, the District's internal controls are required to include systems and policies and procedures designed to ensure compliance with the applicable requirements. We suggest the District review all of the applicable grant requirements in conjunction with the District's system of internal controls in order to ensure the District's internal controls are functioning at the requisite levels to meet with the various compliance requirements.

Internal Control Documentation

In addition to internal control documentation as required by auditing standards, N.J.A.C. 6A:23A-6.5 through 6.13 set forth specific requirements with respect to internal control policies that are required to be in place.

OTHER MATTERS (CONT'D.)

Internal Control Documentation (Cont'd.)

The District has initiated the process of documenting its internal controls. This course of action should continue as a component of the District's internal controls and will also serve the purpose of meeting certain requirements as set forth by Statement on Auditing Standards Nos. 112 and 115. We suggest the District continue this process and also consider utilizing the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for its documentation, which includes the five components of internal controls, as follows: Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. In addition, we suggest the documentation should also include the internal controls that exist over grant compliance. As set forth in SAS 112, dependent upon the complexity of the entity's internal control systems, the lack of documentation can be considered a control or significant deficiency in the entity's internal controls.

Testing for Lead of All Drinking Water in Educational Facilities

Management indicates the school district adhered to the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities and that the school district submitted the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

Review of Prior Years Findings

In accordance with government auditing standards, our procedures included a review of prior year findings of which no prior year findings were reported.

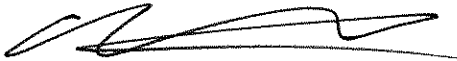
Acknowledgement

During the course of our audit, we received the complete cooperation of all the officials of the school district, and we greatly appreciate the courtesies extended to us.

Respectively submitted,

Hodulik & Morrison, P.A.

Hodulik & Morrison, P.A.
Certified Public Accountants
Public School Accountants



Andrew G. Hodulik
Certified Public Accountant
Public School Accountant #841

SCHEDULE OF AUDITED ENROLLMENTS

**EDISON TOWNSHIP SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017**

	2018-2019 Application for State School Aid								Sample for Verification				Private Schools for 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		Reported on A.S.S.A. 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	53		53		0	0	1		1		0					
Full Day Preschool											0					
Half Day Kindergarten	882		882		0	0	16		16		0					
Full Day Kindergarten											0					
One	1202		1,201		1	0	21		21		0					
Two	1266		1,266		0	0	29		29		0					
Three	1236		1,236		0	0	26		26		0					
Four	1213		1,213		0	0	24		24		0					
Five	1260		1,260		0	0	23		23		0					
Six	1226		1,226		0	0	30		30		0					
Seven	1121		1,121		0	0	22		22		0					
Eight	1067		1,067		0	0	24		24		0					
Nine	1110		1,110		0	0	23		23		0					
Ten	979		979		0	0	20		20		0					
Eleven	967		967		0	0	14		14		0					
Twelve	1013		1,013		0	0	21		21		0					
Subtotals	14,595	0	14,594	0	1	0	294		294		0	0				
Special Ed - Elementary	736		737		-1	0	18		18		0		18	13	13	0
Special Ed - Middle School	290	13	290	13	0	0	1		1		0		21	16	15	1
Special Ed - High School	371	11	371	11	0	0	5		5		0		44	35	35	0
Subtotals	1,397	24	1,398	24	-1	0	24	0	24	0	0	0	83	64	63	1
Totals	15,992	24	15,992	24	0	0	318		318		0	0	83	64	63	1
Percentage Error					<u>0.00%</u>	<u>0.00%</u>					<u>0.00%</u>	<u>0.00%</u>				<u>1.56%</u>

SCHEDULE OF AUDITED ENROLLMENTS

**EDISON TOWNSHIP SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017**

	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 Bilingual Education	Reported on Workpapers As Bilingual Education	Sample Errors	Sample Selected from Work papers	Verified to Test Score and Register	Sample Errors
Pre K	0	0	0	1	1	0	0	0	0	0	0	0
Kindergarten	100	100	0	16	15	1	8	8	0	3	3	0
One	206	206	0	20	15	5	22	22	0	9	9	0
Two	210	210	0	22	22	0	16	16	0	9	9	0
Three	202	202	0	20	20	0	6	6	0	4	4	0
Four	221	221	0	17	15	2	6	6	0	2	2	0
Five	242	242	0	25	24	1	7	7	0	3	3	0
Six	235	235	0	28	27	1	3	3	0	1	1	0
Seven	216	216	0	11	10	1	11	11	0	7	7	0
Eight	194	194	0	15	15	0	16	16	0	10	9	1
Nine	240	240	0	17	16	1	22	22	0	6	5	1
Ten	237	237	0	16	16	0	17	17	0	12	12	0
Eleven	231	231	0	20	17	3	19	19	0	12	12	0
Twelve	249	249	0	17	17	0	21	21	0	10	9	1
Subtotals	2,783.0	2,783.0	0.0	245	230	15	174	174	0	88	85	3
Sp Ed - Elementary	233	234	-1	28	28	0	0	0	0	0	0	0
Sp Ed - Middle School	136.5	135.5	1	11	10	1	0	0	0	0	0	0
Sp Ed - High School	168	168	0	11	10	1	1	1	0	0	0	0
Subtotals	537.5	537.5	0	50	48	2	1	1	0	0	0	0
Totals	3,320.5	3,320.5	0.0	295	278	17	175	175	0	88	85	3
Percentage Error			0.00%			5.76%			0.00%			3.41%

	Transportation						Average Mileage		
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors	Reported	Recalculated	
Reg. - Public Schools	4,867	4,867	0	232	232	0	4.1	4.1	Reg Avg. (Mileage) = Regular Including Grade PK students (Part A)
Reg. - Sp. Ed.	103.5	103.5	0	5	5	0	4.1	4.1	Reg Avg. (Mileage) = Regular Excluding Grade PK students (Part B)
Transported - Non-Public	223	223	0	11	11	0	7.7	7.7	Spec Avg. = Special Ed with Special Needs
Sp. Ed. - Special Needs	630.5	630.5	0	30	30	0			
ATL	712	712	0	34	32	2			
Totals	6,536.0	6,536.0	0	312	310	2			
Percentage Error						0.65%			

SCHEDULE OF AUDITED ENROLLMENTS

EDISON TOWNSHIP SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. As Bilingual Education</u>	<u>Reported on Workpapers As Bilingual Education</u>	<u>Sample Errors</u>	<u>Sample Selected from Work papers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Pre K	0	0	0	0	0	0
Kindergarten	86	86	0	38	38	0
One	35	34	1	16	16	0
Two	24	24	0	11	11	0
Three	17	17	0	7	7	0
Four	14	14	0	5	5	0
Five	10	10	0	3	3	0
Six	12	12	0	7	7	0
Seven	14	14	0	9	9	0
Eight	7	7	0	4	4	0
Nine	4	4	0	3	3	0
Ten	2	2	0	1	1	0
Eleven	4	4	0	3	3	0
Twelve	4	4	0	1	1	0
Subtotals	<u>233</u>	<u>232</u>	<u>1</u>	<u>108</u>	<u>108</u>	<u>0</u>
Sp Ed - Elementary	0	0	0	0	0	0
Sp Ed - Middle School	0	0	0	0	0	0
Sp Ed - High School	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>
Subtotals	<u>1</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>
Totals	<u><u>234</u></u>	<u><u>233</u></u>	<u><u>1</u></u>	<u><u>109</u></u>	<u><u>109</u></u>	<u><u>0</u></u>
Percentage Error			<u><u>0.43%</u></u>			<u><u>0.00%</u></u>

**Edison School District
Middlesex County, New Jersey**

Year Ended
06.30.18

EXCESS SURPLUS CALCULATION

SECTION 1 - REGULAR DISTRICT

A. 2% Calculation of Excess Surplus

2017-2018 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>265,143,713.83</u> (B)
Increased by:	
Transfer from Capital Outlay to Capital Projects Fund	\$ _____ (B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____ (B1b)
Transfer from General Fund to SRF for PreK-Regular	\$ _____ - (B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$ _____ - (B1d)
Decreased by:	
On-Behalf TPAF Pension/Medical & Social Security	\$ <u>34,891,630.18</u> (B2a)
Assets Acquired Under Capital Leases	\$ <u>490,409.50</u> (B2b)
 Adjusted 2017-2018 General Fund Expenditures ((B)+(B1s)-(B2s))	 \$ <u><u>229,761,674.15</u></u> (B3)
 2% of Adjusted 2017-2018 General Fund Expenditures ((B3) times .02)	 \$ <u>4,595,233.48</u> (B4)
Enter Greater of (B4) or \$250,000	\$ <u>4,595,233.48</u> (B5)
Increased by: Allowable Adjustment*	\$ <u>511,216.00</u> (K)
 Maximum Unreserved/Undesignated Fund Balance ((B5)+(K))	 \$ <u><u>5,106,449.48</u></u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/18 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>17,130,304.52</u> (C)
Decreased by:	
Reserve for Encumbrances	\$ _____ - (C1)
Legally Restricted -Designated for Subsequent Year's Expenditures	\$ <u>5,641,089.00</u> (C2)
Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ _____ - (C3)
Other Restricted Fund Balances****	\$ <u>825,628.75</u> (C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ _____ - (C5)
 Total Unassigned Fund Balance ((C)-(C1)-(C2)-(C3)-(C4)-(C5))	 \$ <u><u>10,663,586.77</u></u> (U1)

SECTION 3

Restricted Fund Balance-Excess Surplus ***((U1-(M)) If negative enter -0- \$ 5,557,137.29 (E)

Recapitulation of Excess Surplus as of June 30, 2018

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ _____ (C3)
Reserved Excess Surplus***(E)	\$ <u>5,557,137.29</u> (E)
Total Excess Surplus ((C3) +(E))	\$ <u><u>5,557,137.29</u></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 when applicable for:

(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, 2018 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.

Notes to auditor: Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid, Family Crisis Transportation Aid, and Additional Nonpublic School Transportation Aid.

Detail of Allowable Adjustments

Impact Aid	\$ _____ (H)
Sale & Lease-back	\$ _____ (I)
Extraordinary Aid	\$ <u>371,865.00</u> (J1)
Additional Nonpublic School Transportation Aid	\$ <u>139,351.00</u> (J2)
Current Year School Bus Advertising Revenue Recognized	\$ _____ (J3)
Family Crisis Transportation Aid	\$ _____ (J4)
Total Adjustments ((H)+(I)+(J1)+(J2)+(J3)+(J4))	\$ <u><u>511,216.00</u></u> (K)

** This amount represents the June 30, 2018 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

*** Amount must agree to the June 30, 2018 CAFR and must agree to Audit Summary Line 90030.

****Amount for Other Reserved 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 any other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

Detail of Other Reserved Fund Balance

Statutory restrictions:

Approved unspent separate proposal	\$	_____
Sale/lease-back reserve	\$	_____
Capital Reserve	\$	173,862.04
Maintenance Reserve	\$	257,230.21
Emergency Reserve	\$	394,536.50
Tuition Reserve	\$	_____
School Bus Advertising 50% Fuel Offset Reserve - current year	\$	_____
School Bus Advertising 50% Fuel Offset Reserve - prior year	\$	_____
Impact Aid General Fund Reserve (Sections 8002 and 8003)	\$	_____
Impact Aid Capital Fund Reserve (Sections 8007 and 8008)	\$	_____
Other state/government mandated reserve	\$	_____
(Other Reserved Fund Balance not noted above)****	\$	_____
 Total Other Reserved Fund Balance	\$	825,628.75 (C4)

EDISON TOWNSHIP SCHOOL DISTRICT
AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

Fixed asset transactional activity be maintained current within the fixed asset reporting system. Bank reconciliations should be performed and agreed to the financial system general ledger on a timely basis.

Grant expenditure reports should be prepared and compared for agreement with the District's financial information reporting system prior to filing.

3. School Purchasing Programs

Purchasing procedures should be reviewed to ensure compliance with the provisions of the public contracts law.

4. School Food Service

Cash receipts deposited to the District's food service fund depository account should be reconciled by the food service provider to the food service provider revenue reports.

5. Student Body Activities

None

6. Application for State School Aid

Minor exceptions should be avoided in the preparation of Application for State School Aid.

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 as a result no correction action was required.