

BOARD OF EDUCATION
BOROUGH OF FOLSOM SCHOOL DISTRICT
COUNTY OF ATLANTIC
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Borough of Folsom School District
County of Atlantic, New Jersey 08037

We have audited, in accordance with generally accepted auditing standards and **Government Auditing Standards** issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Borough of Folsom School District in the County of Atlantic 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 Division of Administration and Finance, 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 issued in conjunction with the Comprehensive Annual Financial Report of the Board of Education of the Borough of Folsom School District, and is intended for the information of the School District's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.



Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant
No. 915
January 25, 2019

**ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND
PERFORMANCE**

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and 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 District's 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> |
|-----------------------|---|---------------|
| Christopher Veneziani | Board Secretary/ School Business Administrator | \$ 25,000 |
| Beverly Mateo | Treasurer | \$173,000 |

Tuition Charges

These charges represent payments from parents of students not residing in the school district. N.J.A.C. 6A:23A-17.1(f) 3.

District Internal Control Policies

District boards of education and administration are responsible for developing internal controls policies and procedures and maintaining a strong internal control environment. NJAC 6A:23A-6.4 requires that the district's internal control policies include specific requirements at NJAC 6A:23A-6.5 through 6.13.

All Internal Control Policies were found in accordance with NJAC 6A:23A-6.5 through 6.13.

Financial Planning, Accounting, and Reporting

In an effort to strengthen internal control, regarding the segregation of duties, the Board approved shared services for the food service and payroll functions. This was in response to the previous year's recommendations and the corrective action plans. Due to the small size of the district, the Board will continue to perform mitigating steps to monitor and review financial areas, including analytically reviewing significant fluctuations between actual and budgeted results of operations. All significant fluctuations should be evaluated and resolved in a timely manner.

Examination of Claims

An examination of claims paid during the period under review indicated that they appeared proper with respect to certification and itemization.

Financial Planning, Accounting and Reporting (Cont'd)

Payroll Account

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

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

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholding due to the general fund.

Payrolls were delivered to the treasurer of school moneys with a warrant made to her order for the full amount of each payroll.

Employee Position Control Roster

An inquiry and subsequent review of the Position Control Roster did not find any discrepancies between the payroll records, employee benefit records, the general ledger accounts to where wages are posted, and the Position Control Roster.

Unemployment Compensation Insurance Trust Fund

The Board has adopted the percentage method and does not maintain an Unemployment Compensation Insurance Trust Fund.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, 2018 for goods not yet received or services not yet rendered, and it was determined that no blanket purchase orders were included in the balance of the reserves for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered as of June 30, 2018.

Obligations of Federal Grant Awards and Requests for Reimbursement of Expenditures Against Those Federal Grants Awards - No exceptions were noted.

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 all 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. As a result of the procedures performed, a 0% error rate was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

A. General Classification Findings

None

B. Administrative Classification Findings

None

Financial Planning, Accounting and Reporting (Cont'd)

Certification of Income Tax Compliance

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (Superintendent and Business Administrator) to the N.J. Department of Treasury was filed by the March 15 due date.

Board Secretary's Records

The financial records and board minutes of the Board Secretary were in satisfactory condition.

Acknowledgment of the Board's receipt of the Board Secretary's and Treasurer's monthly financial reports was included in the monthly minutes.

Purchase orders were charged to the appropriate line item accounts in accordance with the State prescribed **Uniform Minimum Chart of Accounts (2R2) for New Jersey Public Schools**.

Monthly financial certifications of the Board Secretary and Board of Education for positive line item account status certification (N.J.A.C. 6:20-2.13) were approved monthly.

An analysis of cumulative budget transfers was examined to determine that transfers appear to be approved and recorded in accordance with Department of Education requirements regarding the ten percent rule on advertised budget line items.

Treasurer's Records

The Treasurer prepared cash reconciliations for the general operating account, payroll account and payroll agency account per N.J.S.A. 18A:17-9.

All cash receipts were promptly deposited. (N.J.S.A. 18A:17-34, 18A:17-9.1)

The Treasurer's records were in agreement with the records of the Board Secretary.

The Treasurer filed her reports in a timely manner.

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-A, II-A, and IV of the Elementary and Secondary Education Act as amended and reauthorized.

Our audit of the E.S.E.A. 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.

The study of compliance for E.S.E.A. indicated that all E.S.E.A. programs were in compliance.

Financial Planning, Accounting and Reporting (Cont'd)

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. Our audit 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.

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. The study of compliance for special projects indicated no areas of noncompliance and/or questionable costs.

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.

No exceptions were noted.

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 school contracts in general are available on the website: http://www.state.nj.us/dca/divisions/dlgs/programs/ps_contracts.html.

The 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&softpage=TOC_Frame_pg42

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (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 for 2017-18.

The District 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.

Based on the results of our examination, 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 provisions 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.

Financial Planning, Accounting and Reporting (Cont'd)

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

The system of records did not provide for an accumulation of purchases for which the school board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977; therefore, the extent of such purchases could not reasonably be ascertained. Our examination did reveal, however, that I Pads, Carts/Adapters and Access Controller were purchased from vendors approved for state contract.

The review of contracts and agreements did not disclose any areas of statutory noncompliance.

Although a particular contract is exempt from the formal requirements of public advertising and competitive bidding, N.J.S.A. 18A:18A-37 requires that quotations be obtained, whenever practical, for any contract less than the bid threshold but 15% or more of that amount, except for contracts for professional services. All contracts and agreements, which are subject to quotations, shall be awarded on the basis of the lowest responsible quotation received, which is most advantageous to the Board of Education, price and other factors considered. Our examination indicated that the Board of Education complied with these provisions.

School Food Service

The school food service program was not selected as a major federal and/or State program and expended less than \$100,000 in Federal and/or State Support for its Child Nutrition Program.

Student Body Activities

Approval authorization appeared to be available for all student activity cash disbursements.

The District maintains a board policy that clearly established the regulation of the Student Activities Fund.

Cash receipts and disbursements journals were maintained in fair condition and reconciled to the monthly bank statements. Deposits were traceable to the bank and made on a timely basis. Expenditures were supported by invoices and other documentation.

Community Program Enterprise Fund

Cash receipts and disbursements journals were maintained in fair condition and reconciled to the monthly bank statements. Deposits were traceable to the bank and made on a timely basis. Expenditures were supported by invoices approval authorization and other documentation.

The amount of surplus increased by \$3,099 during the 2017-18 fiscal year.

Application for State School Aid

Our audit procedures included a test of the information reported in the October 13th Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, and low-income. 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 one exception.

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 and has adequate written procedures for the recording of student enrollment data.

The results of our procedures are presented in the Schedule of Audited Enrollment.

The District maintained workpapers on the prescribed state forms or their equivalents.

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

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2017-18 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS District workpapers was verified to the DRTRS Eligibility Summary Report, which is presented in the Schedule of Audited Enrollments, with the exception of two students being counted as S1 (special education) but should have been counted as regular education. One student had been declassified and one was in the process of being tested. The DRTRS Eligibility Summary Report was compared to the County Summary Report. All items were in agreement.

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. The bid specifications for the purchase of buses were in compliance with applicable statutes. No exceptions were noted in our review of transportation related purchases of goods and services.

Facilities and Capital Assets

As part of the GASB 34 reporting format, fixed assets were recorded in accordance with GAAP including a provision for depreciation expense.

The amount of additions to fixed capital during the 2017-18 school-year was \$165,773 and the balance in Fixed Assets was \$7,823,215, as of June 30, 2018.

Finding 2018-1

Adjustments were required to be made in the Fixed Asset record, in order to provide accurate cost and depreciation expense amounts in the CAFR.

Cause - Inadvertent oversight.

Effect - Without the adjustments submitted for recording, the District-Wide and Governmental Financial Statements would be inaccurate.

Criteria - In accordance with Governmental Accounting Standards, fixed assets should be recorded at their historical cost and depreciated over the useful life of the item.

Recommendation - The detail of the required Fixed Asset adjustments should be submitted to the outside software vendor, in order to properly reflect the fixed asset cost and depreciation at June 30, 2018.

Testing for Lead of all Drinking Water in Educational Facilities

The school district adhered to all the requirements of NJAC 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

The test results were posted on the district's website as well as being available at the school facility.

Follow-up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. There were no prior year findings.

Acknowledgment

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

Respectfully submitted,

NIGHTLINGER, COLAVITA & VOLPA, P.A.

A handwritten signature in black ink, appearing to read "Raymond Colavita", written in a cursive style.

Raymond Colavita, C.P.A., R.M.A.
Licensed Public School Accountant No. 915

SCHEDULE OF AUDITED ENROLLMENTS

**BOROUGH OF FOLSOM BOARD OF EDUCATION
APPLICATION OR 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 per Registers On Roll | | Reported On A.S.S.A. as | | | | |
| | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Private Schools | Sample for Verification | Sample Verified | Sample Errors | |
| Half Day PS 3 Yr Old | | | | | | | | | | | | | | | | | |
| Half Day PS 4 Yr Old | | | | | | | | | | | | | | | | | |
| Full Day PS 3 Yr Old | | | | | | | | | | | | | | | | | |
| Full Day PS 4 Yr Old | 13.0 | | 13.0 | | | | 6.0 | | 6.0 | | | | | | | | |
| Full Day Kindergarten | 36.0 | | 36.0 | | | | 17.0 | | 17.0 | | | | | | | | |
| One | 34.0 | | 34.0 | | | | 16.0 | | 16.0 | | | | | | | | |
| Two | 37.0 | | 37.0 | | | | 18.0 | | 18.0 | | | | | | | | |
| Three | 44.0 | | 44.0 | | | | 21.0 | | 21.0 | | | | | | | | |
| Four | 39.0 | | 39.0 | | | | 19.0 | | 19.0 | | | | | | | | |
| Five | 37.0 | | 37.0 | | | | 18.0 | | 18.0 | | | | | | | | |
| Six | 29.0 | | 29.0 | | | | 14.0 | | 14.0 | | | | | | | | |
| Seven | 37.0 | | 37.0 | | | | 18.0 | | 18.0 | | | | | | | | |
| Eight | 39.0 | | 39.0 | | | | 19.0 | | 19.0 | | | | | | | | |
| Nine | | | | | | | | | | | | | | | | | |
| Ten | | | | | | | | | | | | | | | | | |
| Eleven | | | | | | | | | | | | | | | | | |
| Twelve | | | | | | | | | | | | | | | | | |
| Post-Graduate | | | | | | | | | | | | | | | | | |
| Adult H.S. (15+CR.) | | | | | | | | | | | | | | | | | |
| Adult H.S. (1-14 CR.) | | | | | | | | | | | | | | | | | |
| Subtotal | 345.0 | 0.0 | 345.0 | 0.0 | 0.0 | 0.0 | 166.0 | 0.0 | 166.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Special Ed - Elementary | 29.0 | | 29.0 | | | | 14.0 | | 14.0 | | | | 1.0 | 1.0 | 1.0 | | |
| Special Ed - Middle | 24.0 | | 24.0 | | | | 12.0 | | 12.0 | | | | 1.0 | 1.0 | 1.0 | | |
| Special Ed - High | | | | | | | | | | | | | 4.0 | 3.0 | 3.0 | | |
| Subtotal | 53 | 0 | 53 | 0 | 0 | 0 | 26 | 0 | 26 | 0 | 0 | 0 | 6 | 5 | 5 | 0 | 0 |
| Totals | 398 | 0 | 398 | 0 | 0 | 0 | 192 | 0 | 192 | 0 | 0 | 0 | 6 | 5 | 5 | 0 | 0 |
| Percentage Error | | | | | 0.00% | 0.00% | | | | | | | 0.00% | 0.00% | | | 0.00% |

SCHEDULE OF AUDITED ENROLLMENTS

BOROUGH OF FOLSOM BOARD OF EDUCATION
APPLICATION OR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017

| | <u>Resident Low Income</u> | | | <u>Sample for Verification</u> | | | <u>Resident LEP Low Income</u> | | | <u>Sample for Verification</u> | | |
|-------------------------|---|---|---------------|--|---|----------------------|---|---|---------------|--|--|----------------------|
| | <u>Reported On A.S.S.A. as Low Income</u> | <u>Reported On Workpapers as Low Income</u> | <u>Errors</u> | <u>Sample Selected From Workpapers</u> | <u>Verified to Application and Register</u> | <u>Sample Errors</u> | <u>Reported on A.S.S.A. as LEP Low Income</u> | <u>Reported on Workpapers as LEP Low Income</u> | <u>Errors</u> | <u>Sample Selected From Workpapers</u> | <u>Verified to Test Score and Register</u> | <u>Sample Errors</u> |
| Half Day PS 3 Yr Old | | | | | | | | | | | | |
| Half Day PS 4 Yr Old | | | | | | | | | | | | |
| Half Day Kindergarten | | | | | | | | | | | | |
| Full Day Kindergarten | 11 | 11 | 0 | 7 | 7 | | | | | | | |
| One | 8 | 8 | 0 | 5 | 5 | | | | | | | |
| Two | 10 | 10 | 0 | 7 | 7 | | | | | | | |
| Three | 13 | 13 | 0 | 9 | 9 | | 1 | 1 | | 1 | 1 | |
| Four | 9 | 9 | 0 | 6 | 6 | | | | | | | |
| Five | 8 | 8 | 0 | 5 | 5 | | | | | | | |
| Six | 11 | 11 | 0 | 7 | 7 | | | | | | | |
| Seven | 10 | 10 | 0 | 7 | 7 | | | | | | | |
| Eight | 3 | 3 | 0 | 2 | 2 | | | | | | | |
| Nine | | | | | | | | | | | | |
| Ten | | | | | | | | | | | | |
| Eleven | | | | | | | | | | | | |
| Twelve | | | | | | | | | | | | |
| Post Graduate | | | | | | | | | | | | |
| Adult H.S. (15+CR.) | | | | | | | | | | | | |
| Adult H.S. (1-14 CR.) | | | | | | | | | | | | |
| Subtotal | 83 | 83 | 0 | 55 | 55 | 0 | 1 | 1 | 0 | 1 | 1 | 0 |
| Special Ed - Elementary | 16 | 16 | 0 | 11 | 11 | | | | | | | |
| Special Ed - Middle | 17 | 17 | 0 | 12 | 12 | | | | | | | |
| Special Ed - High | | | | | | | | | | | | |
| Subtotal | 33 | 33 | 0 | 23 | 23 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Co. Voc. - Regular | | | | | | | | | | | | |
| Co. Voc. Ft. Post Sec. | | | | | | | | | | | | |
| Totals | 116 | 116 | 0 | 78 | 78 | 0 | 1 | 1 | 0 | 1 | 1 | 0 |
| Percentage Error | | | 0.00% | | | 0.00% | | | 0.00% | | | 0.00% |

TRANSPORTATION

| | <u>Reported on DRTRS by DOE/County</u> | <u>Reported on DRTRS by District</u> | <u>Errors</u> | <u>Tested</u> | <u>Verified</u> | <u>Errors</u> | | |
|--------------------------|--|--------------------------------------|---------------|---------------|-----------------|---------------|--|----------------------|
| | | | | | | | <u>Reported</u> | <u>Re-Calculated</u> |
| Reg. - Public Schools | 169 | 169 | | 97 | 97 | | | |
| Reg. - Special Ed. | 30 | 30 | | 17 | 17 | | | |
| Transported - Non-Public | 4 | 4 | | 2 | 2 | | | |
| Aid in Lieu - Non-Public | 2 | 2 | | 1 | 1 | | | |
| Special Needs - Public | 24 | 24 | | 14 | 14 | | | |
| Totals | 229 | 229 | 0 | 131 | 131 | 0 | | |
| Percentage Error | | | 0.00% | | | 0.00% | | |
| | | | | | | | Avg. Mileage - Regular Including Grade PK students | 4.9 |
| | | | | | | | Avg. Mileage - Regular Excluding Grade PK students | 5.0 |
| | | | | | | | Avg. Mileage - Special Ed with Special Needs | 10.7 |

SCHEDULE OF AUDITED ENROLLMENTS

BOROUGH OF FOLSOM BOARD OF EDUCATION
APPLICATION OR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017

| | <u>Resident LEP NOT Low Income</u> | | | <u>Sample for Verification</u> | | |
|-------------------------|---|---|---------------|--|---|--------------------------------|
| | <u>Report On</u> <u>A.S.S.A. as</u> <u>NOT Low</u> <u>Income</u> | <u>Report On</u> <u>Workpapers as</u> <u>NOT Low</u> <u>Income</u> | <u>Errors</u> | <u>Sample</u> <u>Selected From</u> <u>Workpapers</u> | <u>Verified to</u> <u>Application</u> <u>and Register</u> | <u>Sample</u> <u>Errors</u> |
| Full Day Preschool | | | | | | |
| Full Day Kindergarten | | | | | | |
| One | | | | | | |
| Two | | | | | | |
| Three | | | | | | |
| Four | 1 | 1 | | 1 | 1 | |
| Five | | | | | | |
| Six | | | | | | |
| Seven | | | | | | |
| Eight | | | | | | |
| Nine | | | | | | |
| Ten | | | | | | |
| Eleven | | | | | | |
| Twelve | | | | | | |
| Post Graduate | | | | | | |
| Adult H.S. (15+CR.) | | | | | | |
| Adult H.S. (1-14 CR.) | | | | | | |
| Subtotal | 1 | 1 | 0 | 1 | 1 | 0 |
| Special Ed - Elementary | | | | | | |
| Special Ed - Middle | | | | | | |
| Special Ed - High | | | | | | |
| Subtotal | 0 | 0 | 0 | 0 | 0 | 0 |
| Co. Voc. - Regular | | | | | | |
| Co. Voc. Ft. Post Sec. | | | | | | |
| Totals | 1 | 1 | 0 | 1 | 1 | 0 |
| Percentage Error | | | 0.00% | | | 0.00% |

BOROUGH OF FOLSOM SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION

SECTION 1

A. 2% Calculation of Excess Surplus

| | | |
|--|-----------------------------------|---------------------------|
| 2017-18 Total General Fund Expenditures per the CAFR | \$ <u>8,811,785</u> (B) | |
| Increased by: | | |
| Transfer from Capital Outlay to Capital Projects Fund | <u> </u> (B1a) | |
| Transfer from Capital Reserve to Capital Projects Fund | <u> </u> (B1b) | |
| Transfer from General Fund to SRF for PreK-Regular | <u> </u> (B1c) | |
| Transfer from General Fund to SRF for PreK-Inclusion | <u> </u> (B1d) | |
| Decreased by: | | |
| On-Behalf TPAF Pension & Social Security | <u>888,757</u> (B2a) | |
| Assets Acquired Under Capital Leases | <u> </u> (B2b) | |
| Adjusted 17-18 General Fund Expenditures [(B)+(B1s)-(B2s)] | <u>7,923,028</u> (B3) | |
| 2% of Adjusted 2017-18 General Fund Expenditures [(B3) times .02] | <u>158,461</u> (B4) | |
| Enter Greater of (B4) or \$250,000 | <u>250,000</u> (B5) | |
| Increased by: Allowable Adjustment* | <u>64,185</u> (K) | |
| Maximum Unassigned Fund Balance[(B5)+(K)] | | <u>\$ 314,185</u> (M) |

SECTION 2

| | | |
|--|--|----------------------------|
| Total General Fund - Fund Balances at June 30, 2018 (Per CAFR Budgetary Comparison Schedule C-1) | \$ <u>3,060,341</u> (C) | |
| Decreased by: | | |
| Year-end Encumbrances | <u>18,966</u> (C1) | |
| Legally Restricted - Designated for Subsequent Year's Expenditures | <u> </u> (C2) | |
| Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures** | <u>1,096,778</u> (C3) | |
| Other Restricted Fund Balances**** | <u>1,074,165</u> (C4) | |
| Assigned Fund balance Unreserved - Designated for Subsequent Year's Expenditures | <u>3,125</u> (C5) | |
| Additional Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures July 1, 2018 - August - 1, 2018 | <u> </u> (C6) ***** | |
| Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)] | | <u>\$ 867,307</u> (U1) |

SECTION 3

| | | |
|--|--|-----------------------------|
| Section 1 | | |
| Restricted Fund Balance- Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0- | | <u>\$ 553,122</u> (E) |
| <u>Recapitulation of Excess Surplus as of June 30, 2018</u> | | |
| Reserved Excess Surplus - Designated for Subsequent Year's Expenditures** | | <u>1,096,778</u> (C3) |
| Reserved Excess Surplus ***[(E)] | | <u>553,122</u> (E) |
| Total Excess Surplus [(C3) + (E)] | | <u>\$ 1,649,900</u> (D) |

BOROUGH OF FOLSOM SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION

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, 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 & 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

| | | |
|---|-----------|------|
| Federal Impact Aid | \$ _____ | (H) |
| Sale & Lease-Back | _____ | (I) |
| Extraordinary Aid | 63,605 | (J1) |
| Additional Nonpublic School Transportation Aid | 580 | (J2) |
| Current Year School Bus Advertising Revenue Recognized | _____ | (J3) |
| Family Crisis Transportation Aid | _____ | (J4) |
| Total Adjustments [(H) + (I) + (J1) + (J2) + (J3) + (J4)] | \$ 64,185 | (K) |

- ** This amount represents the June 30, 2018 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.
- *** Amounts must agree to the June 30, 2018 CAFR and must agree to Audit Summary Worksheet 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 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 prior to September 30.
- ***** Increase in Assigned Fund Balance - Unreserved - Designated for Subsequent Year's expenditures July 1, 2018 to August 1, 2018 resulting from decrease in state aid after adoption of 2018-19 district budget. Refer to Commissioner's Broadcast of July 13, 2018 at the NJDOE Broadcast webpage <https://homeroom5.doe.state.nj.us/broadcasts/> and to page 1-4.2 of this Audit Program.

Detail of Other Restricted Fund Balance

| | |
|---|-------------------|
| Statutory restrictions: | |
| Approved unspent separate proposal | \$ _____ |
| Sale/lease-back reserve | _____ |
| Capital reserve | 572,976 |
| Maintenance reserve | 301,189 |
| Emergency Reserve | 200,000 |
| 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 8007 and 8008) | _____ |
| Impact Aid General Fund Reserve (Sections 8002 and 8003) | _____ |
| Other state/government mandated reserve | _____ |
| [Other Restricted Fund Balance not noted above] **** | _____ |
| Total Other Restricted Fund Balance | \$ 1,074,165 (C4) |

SIGNATURE OF PUBLIC SCHOOL ACCOUNTANT - No. 915

AUDIT RECOMMENDATIONS SUMMARY
For the Fiscal Year Ended June 30, 2018
Borough of Folsom School District

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

7. Charter School Enrollment System(CHE) (Applicable to audits of charter schools)

None

8. Pupil Transportation

None

9. Facilities and Capital Assets - Finding 2018-1

Recommendation - The detail of the required Fixed Asset adjustments should be submitted to the outside software vendor, in order to properly reflect the fixed asset cost and depreciation at June 30, 2018.

10. Miscellaneous

None

11. Status of Prior Year Audit Findings/Recommendations

A review was performed on the prior year recommendations. There were no prior year findings.