

**AUDITORS MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
SCHOOL DISTRICT OF THE
BOROUGH OF POMPTON LAKES
COUNTY OF PASSAIC, NEW JERSEY
JUNE 30, 2018**

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

SCHOOL DISTRICT OF THE BOROUGH OF POMPTON LAKES
COUNTY OF PASSAIC, NEW JERSEY

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REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Borough of Pompton Lakes School District
County of Passaic, 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 Board of Education of the Borough of Pompton Lakes School District in the County of Passaic for the year ended June 30, 2018, and have issued our report thereon dated January 28, 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 Borough of Pompton Lakes 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.

James Cerullo

James Cerullo, C.P.A.
Licensed Public School Accountant
No. 881

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Certified Public Accountants
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January 28, 2019

**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 Moneys, the activities of the Board of Education, 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.

Officials Bonds

| <u>Name</u> | <u>Position</u> | <u>Amount</u> |
|-----------------|--|---------------|
| Renee Taveniere | Board Secretary/School Business Administrator | \$236,000.00 |
| Herbert Diamond | Treasurer | \$236,000.00 |

There is a Public Employees' Faithful Performance Blanket Position Bond covering all other employees with multiple coverage of \$500,000.00.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The Board 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-3.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not reveal any material discrepancies with respect to each of signature, certification or proper documentation.

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.

Financial Planning, Accounting and Reporting, (continued)

All 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 promptly remitted to the proper agencies, including health benefits withholding to the General Fund.

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (superintendent, assistant superintendents, and business administrator) to the NJ Department of Treasury was filed by the March 15 due date.

Reporting of employee compensation for income tax related purposes did comply with federal and state regulations regarding the compensation which is required to be reported.

Position Control Roster

The Position Control Roster was reviewed and compared to payroll records, employee benefit records and charges made to the general ledger to ensure proper and consistent financial reporting and that employee benefits are only offered to current employees.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, 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.

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 transaction error rate of 0.0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

Our review of the financial and accounting records maintained by the Board Secretary disclosed the following:

Finding 2018-01: Political Disclosure Forms were not received from all vendors required to submit them.

Recommendation: That Political Disclosure Forms be received and on file for all vendors required to submit them.

Financial Planning, Accounting and Reporting, (continued)

Finding 2018-02: Cancelled checks for the months of July through March were not available for audit.

Recommendation: That all cancelled checks be available for audit.

Fixed Assets

The general fixed asset records were updated for the additions and disposals of general fixed assets made during the year.

Treasurer's Records

Treasurer's records were examined and found to be in good condition.

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 Title I, Title II, Title III and Title IV of the Elementary and Secondary Education Act, as amended and reauthorized.

The study of compliance for E.S.E.A. indicated that there were 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.

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 the special projects indicated that there were no areas of noncompliance.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

Financial Planning, Accounting and Reporting, (continued)

T.P.A.F. 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 (or charter school or renaissance school project) for those employees whose salaries are identified as being paid from federal funds was made prior to the end of 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

Nonpublic State Aid

Project completion reports were finalized and transmitted to the Department by the due date.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-2 contains definitions for terms used throughout N.J.S.A. 18A:18A-1 et seq. It includes as subsection (p) the term 'competitive contracting', which is defined as "the method described in N.J.S.A. 18A:18A-4.1 through 18A:18A-4.5 and in rules promulgated by DCA at N.J.A.C. 5:34-4 of contracting for specialized goods and services in which formal proposals are solicited from vendors; formal proposals are evaluated by the purchasing agent or counsel or school business administrator; and the board of education awards a contract to a vendor or vendors from among the formal proposals received." Also, subsection (aa) defines the term 'concession' to exclude vending machines.

N.J.S.A. 18A:18A-3(a) sets forth the bid threshold and requires award by board resolution. There is a higher threshold when there is a "Qualified Purchasing Agent" (QPA) in the district as defined at N.J.A.C. 5:34-1.1 and certified upon approval of an application submitted to DCA. Pursuant to N.J.S.A. 18A:18A-3(b), the bid threshold may be adjusted by the Governor, in consultation with the Department of Treasury, every five years.

N.J.S.A. 18A:18A-4.4 provides boards of education the authority to pass a resolution authorizing the use of competitive contracting. "In order to initiate competitive contracting, the board of education shall pass a resolution authorizing the use of competitive contracting each time specialized goods or services enumerated in sections 45 of L. 1999, c.440 are desired to be contracted."

Effective July 1, 2015 and thereafter, 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 2017-2018.

The 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.

School Purchasing Programs, (continued)

The results of our examination indicated that no 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.

Resolutions were adopted authorizing the awarding of contract 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 maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis. No exceptions were noted.

The number of meals claimed for reimbursement was verified against 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. Meals claimed did agree with meal count records.

The school food service program was not selected as a major federal and/or State program. However, the program expenditures exceeded \$100,000 in federal and/or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program 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.

The Statement of Revenues, Expenses, and Changes in Fund Net Assets (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served did not exceed the number of valid applications and/or to the list of directly certified students, times the number of operating days, on a school by school basis. The free and reduced price meal and free milk policy is uniformly administered throughout the School System. The required verification procedures for free and reduced price applications were completed and available for review.

Cash receipts and bank records were reviewed for timely deposit.

The 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 reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will provide an annual financial return of \$17,000.00 for the 2017-2018 school year. The operating results provision has been met. All vendor discounts, rebates and credits from the FSMC were tracked and credited to the Food Service Account and reconciled to supporting documentation at least annually.

School Food Service, (continued)

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

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the board of education.

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.

Finding 2018-03: Net cash resources exceeded three month's average expenditures.

Recommendation: No recommendation is being made as the Board purchased new furniture and equipment in 2018/2019.

Food Distribution Program commodities were received and a separate inventory was maintained on a first-in, first-out basis. No exceptions were noted.

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

Student Activity Fund

A cash receipts and disbursements record is maintained in satisfactory condition.

Cash disbursements had proper signatures and supporting documentation.

Application for State School Aid

Our audit procedures included a test of information reported in the October 14, 2017 Application 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 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 District maintained workpapers on the prescribed state forms or their equivalent.

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 2017-2018 District Report of Transported Resident Students (DRTRS). The information that was included 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.

Our procedures 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.

Testing for Lead of All Drinking Water in Educational Facilities

The school district adhered to all 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.

The school district did submit the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

Follow-up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. Corrective action had been taken on all prior year findings, except for those items marked with an “*”.

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,

James Cerullo

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Licensed Public School Accountant
No. 881

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SCHEDULE OF AUDITED ENROLLMENTS

**Borough of Pompton Lakes School District
 Application for State School Aid Summary
 Enrollment as of October 14, 2017**

| Enrollment Category | 2018-2019 Application for State School Aid | | | | Sample for Verification | | | | Private School for Handicapped | | | | | |
|---------------------------|--|----------|-----------------------|----------|---------------------------------------|----------|-----------------------------------|----------|--|----------|------------------------------------|-----------|------------------------------|--------------|
| | Reported on ASSA on Roll | | Workpapers on Roll | | Sample Selected from Workpapers | | Verified per Registers on Roll | | Reported on ASSA as Private School | | Sample for Verifi- cation | | Sample Verified Errors | |
| | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared | Full | Shared |
| Half Day PREK - 4Yr | 9 | | 9 | | 9 | | 9 | | 9 | | | | | |
| Full Day PREK - 4Yr | 0 | | 0 | | 0 | | 0 | | 0 | | | | | |
| Full Day Kindergarten | 92 | | 92 | | 92 | | 92 | | 92 | | | | | |
| One | 93 | | 93 | | 93 | | 93 | | 93 | | | | | |
| Two | 76 | | 76 | | 76 | | 76 | | 76 | | | | | |
| Three | 102 | | 102 | | 102 | | 102 | | 102 | | | | | |
| Four | 84 | | 84 | | 84 | | 84 | | 84 | | | | | |
| Five | 81 | | 81 | | 81 | | 81 | | 81 | | | | | |
| Six | 128 | | 128 | | 128 | | 128 | | 128 | | | | | |
| Seven | 79 | | 79 | | 79 | | 79 | | 79 | | | | | |
| Eight | 114 | | 114 | | 114 | | 114 | | 114 | | | | | |
| Nine | 136 | | 136 | | 136 | | 136 | | 136 | | | | | |
| Ten | 120 | | 120 | | 120 | | 120 | | 120 | | | | | |
| Eleven | 121 | | 121 | | 121 | | 121 | | 121 | | | | | |
| Twelve | 149 | 1 | 149 | 1 | 149 | | 149 | | 149 | | | | | |
| Subtotal | 1,384 | 1 | 1,384 | 1 | 1,384 | 0 | 1,384 | 0 | 1,384 | 0 | 0 | 0 | 0 | 0 |
| Special Ed - Elementary | 112 | | 112 | | 18 | | 18 | | 18 | | 3 | 1 | 1 | 0 |
| Special Ed -Middle School | 63 | | 63 | | 10 | | 10 | | 10 | | 3 | 3 | 3 | 0 |
| Special Ed -High School | 104 | 5 | 104 | 5 | 18 | | 18 | | 18 | | 9 | 9 | 9 | 0 |
| Subtotal | 279 | 5 | 279 | 5 | 46 | 0 | 46 | 0 | 46 | 0 | 15 | 13 | 13 | 0 |
| Totals | 1,663 | 6 | 1,663 | 6 | 1,430 | 0 | 1,430 | 0 | 1,430 | 0 | 15 | 13 | 13 | 0 |
| Percentage Error | | | | | | | | | | | | | | 0.00% |

SCHEDULE OF AUDITED ENROLLMENTS (cont.)

**Borough of Pompton Lakes School District
Application for State School Aid Summary
Enrollment as of October 14, 2017**

| Enrollment Category | Resident Low Income | | | Sample for Verification | | | Resident LEP Low Income | | | Sample for Verification | | |
|---------------------------|--------------------------------|--------------------------------------|--------------|---------------------------------|--------------------------------------|--------------|--------------------------------|--------------------------------------|--------------|---------------------------------|--------------------------------------|--------------|
| | Reported on ASOA as Low Income | Reported on Workpapers as Low Income | Errors | Sample Selected from Workpapers | Verified to Application and Register | Errors | Reported on ASOA as Low Income | Reported on Workpapers as Low Income | Errors | Sample Selected from Workpapers | Verified to Application and Register | Errors |
| Full Day Kindergarten | 21 | 21 | 0 | 10 | 10 | 0 | 2 | 2 | 0 | 2 | 2 | 0 |
| One | 23 | 23 | 0 | 11 | 11 | 0 | 4 | 4 | 0 | 4 | 4 | 0 |
| Two | 17 | 17 | 0 | 8 | 8 | 0 | 4 | 4 | 0 | 5 | 5 | 0 |
| Three | 24 | 24 | 0 | 12 | 12 | 0 | 1 | 1 | 0 | 1 | 1 | 0 |
| Four | 20 | 20 | 0 | 10 | 10 | 0 | 1 | 1 | 0 | 1 | 1 | 0 |
| Five | 14 | 14 | 0 | 7 | 7 | 0 | 2 | 2 | 0 | 2 | 2 | 0 |
| Six | 37 | 37 | 0 | 18 | 18 | 0 | 2 | 2 | 0 | 2 | 2 | 0 |
| Seven | 14 | 14 | 0 | 7 | 7 | 0 | 1 | 1 | 0 | 1 | 1 | 0 |
| Eight | 26 | 26 | 0 | 12 | 12 | 0 | 1 | 1 | 0 | 0 | 0 | 0 |
| Nine | 16 | 16 | 0 | 10 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Ten | 7 | 7 | 0 | 5 | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Eleven | 14 | 14 | 0 | 8 | 8 | 0 | 1 | 1 | 0 | 0 | 0 | 0 |
| Twelve | 16 | 16 | 0 | 8 | 8 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subtotal | 249 | 249 | 0 | 126 | 126 | 0 | 19 | 19 | 0 | 18 | 18 | 0 |
| Special Ed - Elementary | 36 | 36 | 0 | 18 | 18 | 0 | 2 | 2 | 0 | 0 | 0 | 0 |
| Special Ed -Middle School | 18 | 18 | 0 | 9 | 9 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Special Ed -High School | 19 | 19 | 0 | 10 | 10 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subtotal | 73 | 73 | 0 | 37 | 37 | 0 | 2 | 2 | 0 | 0 | 0 | 0 |
| Totals | 322 | 322 | 0.0 | 163 | 163 | 0 | 21 | 21 | 0 | 18 | 18 | 0 |
| Percentage Error | | | 0.00% | | | 0.00% | | | 0.00% | | | 0.00% |

SCHEDULE OF AUDITED ENROLLMENTS (cont.)

**Borough of Pompton Lakes School District
Application for State School Aid Summary
Enrollment as of October 14, 2017**

| <u>Enrollment Category</u> | <u>Resident LEP NOT Low Income</u> | | | <u>Sample for Verification</u> | | |
|----------------------------|---|---|---------------|--|---|---------------|
| | <u>Reported on ASSA as NOT Low Income</u> | <u>Reported on Workpapers as NOT Low Income</u> | <u>Errors</u> | <u>Sample Selected from Workpapers</u> | <u>Verified to Application and Register</u> | <u>Errors</u> |
| Full Day Kindergarten | 4 | 4 | 0 | 4 | 4 | 0 |
| One | 3 | 3 | 0 | 3 | 3 | 0 |
| Two | 4 | 4 | 0 | 4 | 4 | 0 |
| Three | 2 | 2 | 0 | 2 | 2 | 0 |
| Four | 1 | 1 | 0 | 1 | 1 | 0 |
| Five | 1 | 1 | 0 | 1 | 1 | 0 |
| Six | 2 | 2 | 0 | 2 | 2 | 0 |
| Seven | 0 | 0 | 0 | 0 | 0 | 0 |
| Eight | 0 | 0 | 0 | 0 | 0 | 0 |
| Nine | 1 | 1 | 0 | 1 | 1 | 0 |
| Ten | 1 | 1 | 0 | 1 | 1 | 0 |
| Eleven | 0 | 0 | 0 | 0 | 0 | 0 |
| Twelve | 2 | 2 | 0 | 2 | 2 | 0 |
| Subtotal | 21 | 21 | 0 | 21 | 21 | 0 |
| Special Ed - Elementary | 1 | 1 | 0 | 1 | 1 | 0 |
| Special Ed - Middle | 0 | 0 | 0 | 0 | 0 | 0 |
| Special Ed - High | 1 | 1 | 0 | 1 | 1 | 0 |
| Subtotal | 2 | 2 | 0 | 2 | 2 | 0 |
| Totals | 23 | 23 | 0 | 23 | 23 | 0 |
| Percentage Error | | | 0.00% | | | 0.00% |

SCHEDULE OF AUDITED ENROLLMENTS (cont.)

Borough of Pompton Lakes School District
Application for State School Aid Summary
Enrollment as of October 14, 2017

| | Transportation | | | | | |
|----------------------------------|---------------------|--------------------------|---------------|---------------|---|----------------------|
| | <u>Reported on</u> | <u>Reported on</u> | <u>Errors</u> | <u>Tested</u> | <u>Verified</u> | <u>Errors</u> |
| | <u>DRTRS by DOE</u> | <u>DRTRS by District</u> | | | | |
| Regular - Public Schools, col. 1 | 14 | 14 | 0 | 11 | 11 | 0 |
| Regular Special Ed, col. 4 | 0 | 0 | 0 | 0 | 0 | 0 |
| Transported - Non-Public, col. 3 | 0 | 0 | 0 | 0 | 0 | 0 |
| Special Ed. Special, col. 6 | 53 | 53 | 0 | 40 | 40 | 0 |
| Totals | 67 | 67 | 0 | 51 | 51 | 0 |
| Percentage Error | | | 0% | | | 0% |
| | | | | | Reported | Re-calculated |
| | | | | | 7.4 | 7.4 |
| | | | | | Avg. Mileage - Regular Excluding Grade PK Students | |
| | | | | | 7.2 | 7.2 |
| | | | | | Avg. Mileage - Special Ed with Special Needs | |

POMPTON LAKES SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

| | | | |
|--|----|-----------------------------|-------|
| 2017-18 Total General Fund Expenditures per the CAFR, Ex. C-1 | \$ | <u>36,394,054.98</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>4,637,364.34</u> | (B2a) |
| Assets Acquired Under Capital Leases | \$ | <u> </u> | (B2b) |
| Adjusted 17-18 General Fund Expenditures [(B)+(B1s)-(B2s)] | \$ | <u>31,756,690.64</u> | (B3) |
| 2% of Adjusted 2017-18 General Fund Expenditures [(B3) times .02] | \$ | <u>635,133.81</u> | (B4) |
| Enter Greater of (B4) or \$250,000 | \$ | <u>635,133.81</u> | (B5) |
| Increased by: Allowable Adjustment* | \$ | <u>17,054.00</u> | (K) |
| Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)] | \$ | <u>652,187.81</u> | (M) |

SECTION 2

| | | | |
|---|----|-----------------------------|------|
| Total General Fund - Fund Balances @ 6-30-18 (Per CAFR Budgetary Comparison Schedule C-1) | \$ | <u>4,095,228.04</u> | (C) |
| Decreased by: | | | |
| Year End Encumbrances | \$ | <u>191,219.20</u> | (C1) |
| Legally Restricted - Designated for Subsequent Year's Expenditures | \$ | <u> </u> | (C2) |
| Legally Restricted Excess Surplus - Designated for Designated for Subsequent Year's Expenditures** | \$ | <u> </u> | (C3) |
| Other Restricted Fund Balances**** | \$ | <u>2,925,416.03</u> | (C4) |
| Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures | \$ | <u>326,405.00</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>652,187.81</u> | (U1) |

SECTION 3

Restricted Fund Balance - Excess Surplus***[(U1)-(M)] IF NEGATIVE ENTER -0- \$ _____ (E)

Recapitulation of Excess Surplus as of June 30, 2018

| | |
|---|----------------|
| Reserved Excess Surplus - Designated for Subsequent Year's Expenditures** | \$ _____ (C3) |
| Reserved Excess Surplus***[(E)] | \$ _____ (E) |
| Total [(C3)+(E)] | \$ _____ - (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:7-F-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, 2015 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), Extraordinary Aid;
 - (J1) Extraordinary Aid;
 - (J2) Additional Nonpublic School Transportation Aid
 - (J3) Current Year School Bus Advertising Revenue Recognized
 - (J4) Family Crisis Transportation Aid.

Detail of Allowable Adjustments

| | |
|--|-------------------|
| Impact Aid | \$ _____ (H) |
| Sale & Lease-back | \$ _____ (I) |
| Extraordinary Aid | \$ 17,054.00 (J1) |
| Additional Nonpublic School Transportation Aid | \$ _____ (J2) |
| Current Year School Bus Advertising Revenue Recognized | \$ _____ (J3) |
| Family Crisis Transportation Aid | \$ _____ (J4) |
| Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)] | \$ 17,054.00 (K) |

** This amount represents the June 30, 2017 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 the sum of the two lines must agree to Audit Summary Worksheet Line 90030.

**** Amount of Other Reserved Fund Balance 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 an 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.

***** 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.

Detail of Other Restricted Fund Balance

Statutory restrictions:

| | |
|---|---------------------------------|
| Approved unspent separate proposal | \$ _____ |
| Sale/lease-back reserve | \$ _____ |
| Capital reserve | \$ <u>2,182,703.83</u> |
| Maintenance reserve | \$ <u>742,712.20</u> |
| Emergency reserve | \$ _____ |
| 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 General Fund Reserve (Sections 8007 and 8008) | \$ _____ |
| Other state/government mandated reserve | \$ _____ |
| [Other Restricted Fund Balance not noted above]**** | \$ _____ |
| Total Other Restricted Fund Balance | \$ <u>2,925,416.03</u> (C4) |

NET CASH RESOURCE SCHEDULE

POMPTON LAKES BOARD OF EDUCATION

Net cash resources did/did not exceed three months of expenditures

Proprietary Funds - Food Service

FYE 2018

| <u>Net Cash Resources:</u> | | Food Service B - 4/5 | |
|----------------------------|---|----------------------------|---------------------------------|
| CAFR | * | Current Assets | |
| B-4 | | Cash & Cash Equiv. | \$ 181,810.72 |
| B-4 | | Due from Other Gov'ts | 10,307.09 |
| B-4 | | Accounts Receivable | |
| B-4 | | Investments | |
| CAFR | | Current Liabilities | |
| B-4 | | Less Accounts Payable | (56,099.40) |
| B-4 | | Less Accruals | |
| B-4 | | Less Due to Other Funds | (299.05) |
| B-4 | | Less Deferred Revenue | <u>(3,756.25)</u> |
| | | Net Cash Resources | <u>\$ 131,963.11</u> (A) |

Net Adj. Total Operating Expense:

| | | | | |
|-----|--|----------------------|-----------------------------|-----|
| B-5 | | Tot. Operating Exp. | 453,627.37 | |
| B-5 | | Less Depreciation | <u>(26,577.00)</u> | |
| | | Adj. Tot. Oper. Exp. | <u>\$ 427,050.37</u> | (B) |

Average Monthly Operating Expense:

B / 10 **\$ 42,705.04** (C)

Three times monthly Average:

3 X C **\$ 128,115.11** (D)

| | | | |
|--|----|------------------------|--|
| TOTAL IN BOX A | \$ | 131,963.11 | |
| LESS TOTAL IN BOX D | \$ | (128,115.11) | |
| NET | \$ | <u>3,848.00</u> | |
| 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. | | | |

* Inventories are not to be included in total current assets.

SOURCE - USDA resource management comprehensive review form

**SCHOOL DISTRICT OF THE
BOROUGH OF POMPTON LAKES**

**AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

RECOMMENDATIONS:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

Finding 2018-01: Political Disclosure Forms were not received from all vendors required to submit them.

Recommendation: That Political Disclosure Forms be received and on file for all vendors required to submit them.

Finding 2018-02: Cancelled checks for the months of July through March were not available for audit.

Recommendation: That all cancelled checks be available for audit.

3. School Purchasing Programs

None

4. School Food Service

Finding 2018-03: Net cash resources exceeded three month's average expenditures.

Recommendation: No recommendation is being made as the Board purchased new furniture and equipment in 2018/2019.

5. Student Activity Fund

None

6. Application for State School Aid

None

7. Pupil Transportation

None

**SCHOOL DISTRICT OF THE
BOROUGH OF POMPTON LAKES**

**AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(Continued)**

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

A review was performed on the prior year recommendations and corrective action was taken on all prior year findings.