

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

SCHOOL DISTRICT OF THE BOROUGH OF ROCKAWAY
COUNTY OF MORRIS, NEW JERSEY

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

| | Page <u>No.</u> |
|--|--------------------|
| Independent Auditors' Report | 1 |
| Scope of Audit | 2 |
| Administrative Practices and Procedures | 2 |
| Insurance | 2 |
| Official Bonds | 2 |
| Tuition Charges | 2 |
| Financial Planning, Accounting and Reporting | 2 |
| Examination of Claims | 2 |
| Payroll Account and Position Control Roster | 3 |
| Reserve for Encumbrances and Accounts Payable | 3 |
| Classification of Expenditures | 3 |
| Board Secretary's Records | 4 |
| Fixed Assets | 4 |
| Elementary and Secondary Education (E.S.E.A.) as Amended by the Every Student Succeeds Act (ESSA) | 5 |
| Other Special Federal and/or State Projects | 5 |
| T.P.A.F. Reimbursement | 5 |
| T.P.A.F. Reimbursement to the State for Federal Salary Expenditures | 5 |
| School Purchasing Programs | 6 |
| School Food Service | 7 |
| Student Body/Athletic Account Activities | 9 |
| Application for State School Aid | 10 |
| Pupil Transportation | 10 |
| Testing for Lead of All Drinking Water in Educational Facilities | 11 |
| Follow-up on Prior Years' Finding | 12 |
| Acknowledgment | 12 |
| Schedule of Audited Enrollments | 13 - 15 |
| Excess Surplus Calculation | 16 - 18 |

BOROUGH OF ROCKAWAY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2018

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.

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

| <u>Name</u> | <u>Position</u> | <u>Amount</u> |
|-------------------|--|---------------|
| William T. Stepka | RBSA/School Business Administrator/Board Secretary | \$200,000.00 |
| Melissa Nestor | Treasurer of School Moneys | 200,000.00 |

Treasurer of School Moneys was bonded in accordance with provisions of Title 18A:17-32 with the minimum limits of State Board promulgated schedules.

There is a Public Employees' Faithful Performance Blanket Position Bond with the Selective Insurance Company covering all other employees with multiple coverage of \$5,000.00.

Tuition Charges

The provisions of N.J.A.C. 6A:23A-17.1 (F)3 are not applicable.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not indicate any material discrepancies with respect to signatures, certification or supporting documentation.

BOROUGH OF ROCKAWAY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2018

Financial Planning, Accounting and Reporting (continued)

Payroll Account and Position Control Roster

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 Board Secretary/Business Administrator.

Salary withholdings were promptly remitted to the proper agencies including health benefits premium withholding due 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 administrators) 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.

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 30th for goods not yet received or services not 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 priority and to determine that goods were received and services were rendered as of June 30, 2018.

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 0.00% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

BOROUGH OF ROCKAWAY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2018

Financial Planning, Accounting and Reporting (continued)

Board Secretary's Records

The Board Secretary's records were in satisfactory condition, with the exception of the following:

Finding 2018-01

There are various outstanding checks over six (6) months old that should be investigated for possible cancellation.

Recommendation:

That outstanding checks over six (6) months old be investigated for possible cancellation.

Management Response:

In the future, checks over six (6) months old be investigated for possible cancellation.

Treasurer's Records

The Treasurer performed cash reconciliations for the general operating account, payroll account and payroll agency account in accordance with N.J.S.A. 18A:17-9.

All cash receipts tested were promptly deposited.

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

Fixed Assets

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

BOROUGH OF ROCKAWAY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2018

Elementary and Secondary Education (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 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 special projects indicated 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.

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 be made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

BOROUGH OF ROCKAWAY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2018

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 Agency) 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.

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*.

BOROUGH OF ROCKAWAY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2018

School Purchasing Programs (continued)

Contracts and Agreements Requiring Advertisement for Bids (continued)

Finding 2018-02

In one case, a professional contract, over the bid threshold, was not advertised in the newspaper.

Recommendation:

That all professional contracts, over the bid threshold, be advertised in the newspaper.

Management Response:

In the future, all professional contracts, over the bid threshold, will be advertised in the newspaper.

School Food Service

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 Position (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

BOROUGH OF ROCKAWAY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2018

School Food Service (continued)

The financial transactions and statistical records of the school food services were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis. Cash receipts and bank records were reviewed for timely deposit, there were no major exceptions noted.

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 operating results provision has been met.

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

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. Net cash resources did not exceed three months average expenditures.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the Board of Education. No exceptions were noted.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner. No exceptions were noted.

Applications for free and reduced price meals were reviewed for completeness and accuracy, however, the following errors were found. The number of free and reduced price meals claimed as served was compared to the number of valid applications and/or to the list of directly certified students on file, times the number of operating days, on a school by school basis. The free and reduced price meal and free milk policy was reviewed for uniform administration throughout the school system. Sites approved to participate in provisions I and II were examined for compliance with all counting and claiming requirements. The required verification procedures for free and reduced price applications were completed and available for review.

U.S.D.A. Food Distribution Program food and/or commodities were received and a single inventory was maintained on a first-in, first-out basis. No exceptions were noted.

The School District Food Service Management Company maintains the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

BOROUGH OF ROCKAWAY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2018

School Food Service (continued)

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

Cash receipts and disbursement records were maintained in satisfactory condition.

All receipts were promptly deposited in the bank.

Payment Authorizations were presented for audit and vendor invoices were available for examination.

The Board adopted a formal board policy that all financial and bookkeeping controls are adequate to ensure appropriate accountability and sound business practice.

Student Body/Athletic Account Activities

The cash receipts and disbursement records were maintained in good order, with the exception of the following:

Finding 2018-03

Thomas Jefferson and Washington schools' trip account vouchers, in some cases, did not have claimant signatures.

Recommendation:

That trip account vouchers for Thomas Jefferson and Washington schools have claimant signatures.

Management Response:

Going forward, trip account vouchers for Thomas Jefferson and Washington schools will have claimant signatures.

All receipts were promptly deposited in the bank.

Application for State School Aid

Our audit procedures included a test of information reported in the October 13, 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 and the information that was included on the workpapers was verified with the following exception:

BOROUGH OF ROCKAWAY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2018

Application for State School Aid (continued)

Finding 2018-04

There were numerous errors found on the A.S.S.A. They are as follows:

- The on-roll count was off in multiple grades but in total by five (5) less students.
- In the Individualized Education Program (IEP), one (1) student was classified as a middle school special education student but did not have an IEP.
- The private school count had four (4) students, however, there were five (5) students.
- The low income count was off in multiple grades, but in total by six (6) students.
- Three (3) students were listed in Free/Reduced but they were not eligible.
- Twenty-two students were reported as listed English Proficiency Low Income, however there were only fourteen on the student roster.
- There were two (2) students counted as Limited English Proficiency Low Income, but they were not eligible.
- There were eighteen students listed as Limited English Proficiency - Not Low Income, however, the School backup only showed thirteen.

Recommendation:

That care be taken when filing out the A.S.S.A. Report.

Management Response:

A Plan will be implemented so that the A.S.S.A. Report will be properly filed.

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.

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

BOROUGH OF ROCKAWAY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

YEAR ENDED JUNE 30, 2018

Pupil Transportation (continued)

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. Exceptions were noted in our review of transportation related purchases of goods and services as follows:

Finding 2018-05

In some cases, tuition contracts were not complete, did not have the County Superintendent's sign off and did not have amounts or listed routes on the contracts.

Recommendation:

That tuition contracts be complete, have County Superintendent approval and have amounts and listed routes.

Management Response:

Tuition contracts will have County Superintendent approval and have amounts and listed routes.

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).

BOROUGH OF ROCKAWAY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

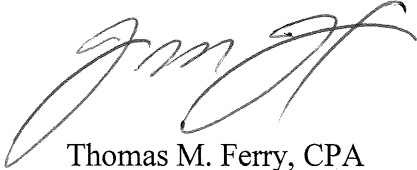
YEAR ENDED JUNE 30, 2018

Follow-up on Prior Years' Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings. Corrective action has been taken on all prior year audit 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.



Thomas M. Ferry, CPA
Licensed Public School Accountant
No. 20CS00209100

Ferraioli, Wielkatz, Cerullo & Cuva, P.A.
FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants

SCHEDULE OF AUDITED ENROLLMENTS

**BOROUGH OF ROCKAWAY SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017**

| Enrollment Category | Resident Low Income | | | Sample for Verification | | | Resident LEP Low Income | | | Sample for Verification | | |
|----------------------------|--------------------------------------|--|---------------|------------------------------------|---|--------------|--|--|---------------|------------------------------------|---|------------|
| | Reported on ASSA as Low Income | Reported on Workpapers as Low Income | Errors | Sample Selected from Workpapers | Verified to Application and Register | Error | Reported on ASSA as LEP Low Income | Reported on Workpapers as LEP Low Income | Errors | Sample Selected from Workpapers | Verified to Application and Register | Error |
| Full Day Kindergarten | 5 | 7 | -2 | 3 | 3 | | 2 | 3 | -1 | 2 | 1 | 1 |
| One | 17 | 17 | | 9 | 9 | | 6 | 4 | 2 | 3 | 3 | |
| Two | 11 | 11 | | 5 | 5 | | 5 | 3 | 2 | 3 | 3 | |
| Three | 8 | 8 | | 5 | 5 | | 1 | 0 | 1 | 0 | 0 | |
| Four | 10 | 10 | | 6 | 5 | 1 | 1 | 1 | | 1 | 1 | |
| Five | 10 | 10 | | 7 | 7 | | 1 | 0 | 1 | 0 | 0 | |
| Six | 12 | 12 | | 7 | 7 | | 3 | 2 | 1 | 2 | 2 | |
| Seven | 8 | 8 | | 5 | 5 | | 1 | 1 | 1 | 1 | 0 | 1 |
| Eight | 12 | 12 | | 8 | 7 | 1 | 0 | 0 | | 0 | 0 | |
| Subtotal | 93 | 95 | -2 | 55 | 53 | 2 | 20 | 14 | 6 | 12 | 10 | 2 |
| Special Ed - Elementary | 21 | 24 | -3 | 16 | 15 | 1 | 1 | 0 | 1 | 0 | 0 | |
| Special Ed - Middle School | 9 | 10 | -1 | 7 | 7 | | 1 | 0 | 1 | 0 | 0 | |
| Subtotal | 30 | 34 | -4 | 23 | 22 | 1 | 2 | 0 | 2 | 0 | 0 | 0 |
| Total | 123 | 129 | -6 | 78 | 75 | 3 | 22 | 14 | 8 | 12 | 10 | 2 |
| Percent Error | | | <u>-4.88%</u> | | | <u>3.85%</u> | | | <u>36.36%</u> | | | <u>17%</u> |

SCHEDULE OF AUDITED ENROLLMENTS

**BOROUGH OF ROCKAWAY SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017**

**2018-2019 Application for State
School Aid**

| | Reported on A.S.S.A. On Roll | | | Workpapers Selected from | | | Sample for Verification | | | Private Schools for Disabled | | |
|----------------------------|------------------------------|----------|--------------|--------------------------|----------|-----------|-------------------------|----------|--------------|------------------------------|-----------|----------------|
| | Full | Shared | Errors | Full | Shared | Errors | Full | Shared | Errors | Full | Shared | Errors |
| Half Day Preschool | 15 | 14 | 1 | 15 | | | 14 | | | | | |
| Full Day Kindergarten | 49 | 48 | 1 | 49 | | | 48 | | 1 | | | |
| One | 54 | 54 | | 54 | | | 54 | | | | | |
| Two | 44 | 45 | -1 | 44 | | | 45 | | -1 | | | |
| Three | 40 | 40 | | 40 | | | 40 | | | | | |
| Four | 47 | 46 | 1 | 47 | | | 46 | | 1 | | | |
| Five | 60 | 60 | | 60 | | | 60 | | | | | |
| Six | 63 | 63 | | 63 | | | 63 | | | | | |
| Seven | 62 | 62 | | 62 | | | 62 | | | | | |
| Eight | 65 | 59 | 6 | 65 | | | 59 | | 6 | | | |
| Subtotal | 499 | 0 | 8 | 499 | 0 | 0 | 491 | 0 | 8 | 0 | 0 | 0 |
| Special Ed - Elementary | 51 | 56 | -5 | 42 | | | 42 | | 0 | | | 3 |
| Special Ed - Middle School | 28 | 26 | 2 | 20 | | | 19 | | 1 | | | 2 |
| Subtotal | 79 | 0 | -3 | 62 | 0 | 0 | 61 | 0 | 1 | 0 | 4 | 5 |
| Total | 578 | 0 | 5 | 561 | 0 | 0 | 552 | 0 | 9 | 0 | 4 | 5 |
| Percent Error | | | 0.87% | | | 0% | | | 1.60% | | 0% | -25.00% |

SCHEDULE OF AUDITED ENROLLMENTS
BOROUGH OF ROCKAWAY SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017

| Enrollment Category | Resident LEP NOT Low Income | | | | Sample for Verification | | |
|----------------------------------|--|--|---------------|------------------------------------|---|--------|--------------|
| | Reported on ASSA as NOT Low Income | Reported on Workpapers as NOT Low Income | Errors | Sample Selected from Workpapers | Verified to Application and Register | Errors | Error |
| Full Day Kindergarten | 7 | 5 | 2 | 4 | 4 | | |
| One | 3 | 2 | 1 | 2 | 2 | | |
| Two | 2 | 2 | | 1 | 1 | | |
| Three | 1 | 0 | 1 | 0 | 0 | | |
| Four | 1 | 1 | | 1 | 1 | | |
| Five | 0 | 0 | | 0 | 0 | | |
| Six | 0 | 0 | | 0 | 0 | | |
| Seven | 2 | 1 | 1 | 1 | 1 | | |
| Eight | 0 | 0 | | 0 | 0 | | |
| Subtotal | 16 | 11 | 5 | 9 | 9 | | 0 |
| Special Ed - Elementary | 2 | 2 | | 2 | 2 | | |
| Special Ed - Middle School | 0 | 0 | | 0 | 0 | | |
| Subtotal | 2 | 2 | 0 | 2 | 2 | | 0 |
| Total | 18 | 13 | 5 | 11 | 11 | | 0 |
| Percent Error | | | <u>27.78%</u> | | | | <u>0%</u> |
| Regular - Public Schools, col. 1 | 37 | 37 | | 32 | 32 | | |
| Regular - SpEd, col. 4 | 1 | 1 | | 1 | 1 | | |
| Transported - Non-Public, col. 2 | 0 | 0 | | 0 | 0 | | |
| Special Ed Spec, col. 6 | 10 | 10 | | 9 | 9 | | |
| Totals | 48 | 48 | 0 | 42 | 42 | | 0 |
| Percentage Error | | | <u>0.00%</u> | | | | <u>0.00%</u> |

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT/CHARTER SCHOOL/RENAISSANCE SCHOOL PROJECT

SECTION 1

A. 2% Calculation of Excess Surplus

| | | | |
|--|----|-----------------------------|-------|
| 2017-18 Total General Fund Expenditures per the CAFR, Ex.C-1 | \$ | <u>9,844,205.27</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>1,036,382.16</u> | (B2a) |
| Assets Acquired Under Capital Leases | \$ | <u> </u> | (B2b) |
| Adjusted 2017-18 General Fund Expenditures [(B)+(B1s)-(B2s)] | \$ | <u>8,807,823.11</u> | (B3) |
| 2% of Adjusted 2017-18 General Fund Expenditures [(B3) times .02] | \$ | <u>176,156.46</u> | (B4) |
| Enter Greater of (B4) or \$250,000 | \$ | <u>250,000.00</u> | (B5) |
| Increased by: Allowable Adjustment * | \$ | <u>490.00</u> | (K) |
| Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)] | \$ | <u>250,490.00</u> | (M) |

SECTION 2

| | | | |
|--|----|-----------------------------|-----------|
| Total General Fund - Fund Balances @ 6-30-18 (Per CAFR Budgetary Comparison Schedule C-1) | \$ | <u>1,829,355.93</u> | (C) |
| Decreased by: | | | |
| Year-end Encumbrances | \$ | <u>69,636.94</u> | (C1) |
| Legally Restricted - Designated for Subsequent Year's Expenditures | \$ | <u> </u> | (C2) |
| Legally Restricted Excess Surplus - Designated for Subsequent Year's Expenditures ** | \$ | <u>170,000.00</u> | (C3) |
| Other Restricted Fund Balances**** | \$ | <u>902,504.19</u> | (C4) |
| Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures | \$ | <u>17,798.00</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>669,416.80</u> | (U1) |

SECTION 3

| | | | |
|--|----|-------------------|-----|
| Restricted Fund Balance - Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0- | \$ | <u>418,926.80</u> | (E) |
|--|----|-------------------|-----|

Recapitulation of Excess Surplus as of June 30, 2018

| | |
|--|--------------------------|
| Reserved Excess Surplus - Designated for Subsequent Year's Expenditures ** | \$ 170,000.00 (C3) |
| Reserved Excess Surplus ***[(E)] | \$ 418,926.80 (E) |
| Total Excess Surplus [(C3) + (E)] | \$ <u>588,926.80 (D)</u> |

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 and Lease-back (Refer to the Audit Program Section II, Chapter 10);
 - (J1) Extraordinary Aid;
 - (J2) Additional Nonpublic School Transportation Aid;
 - (J3) Recognized current year School Bus Advertising Revenue; and
 - (J4) Family Crisis Transportation Aid.

Detail of Allowable Adjustments

| | |
|--|----------------------|
| Impact Aid | \$ _____ (H) |
| Sale & Lease-back | \$ _____ (I) |
| Extraordinary Aid | \$ 490.00 (J1) |
| Additional Nonpublic School Transportation Aid | \$ _____ (J2) |
| Current Year School Bus Advertising Revenue Recognized | \$ _____ (J3) |
| Family Crises Transportation Aid | \$ _____ (J4) |
| Total Adjustments [(H)+{I)+(J1)+(J2)+(J3)+(J4)] | \$ <u>490.00 (K)</u> |

** 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 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.

Detail of Other Restricted Fund Balance

Statutory restrictions:

| | | |
|---|----|-----------------|
| Approved unspent separate proposal | \$ | _____ |
| Sale/Lease-back reserve | \$ | _____ |
| Capital reserve | \$ | 902,504.19 |
| Maintenance reserve | \$ | _____ |
| 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 | \$ | 902,504.19 (C4) |

**BOROUGH OF ROCKAWAY
BOARD OF EDUCATION**

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

RECOMMENDATIONS:

1. Administrative Practices and Procedures

2018-01 That outstanding checks over six (6) months old be investigated for possible cancellation.

2. Financial Planning, Accounting and Reporting

None

3. School Purchasing Programs

2018-02 That all professional contracts, over the bid threshold, be advertised in the newspaper.

4. School Food Service

None

5. Student Activity Fund

2018-03 That trip account vouchers for Thomas Jefferson and Washington schools have claimant signatures.

6. Application for State School Aid

2018-04 That care be taken when filing out the A.S.S.A. Report.

**BOROUGH OF ROCKAWAY
BOARD OF EDUCATION**

**AUDIT FINDINGS & RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2018
(CONTINUED)**

RECOMMENDATIONS (Continued):

7. Pupil Transportation

2018-05 That tuition contracts be complete, have County Superintendent approval and have amounts and listed routes.

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Follow-up on Prior Year Findings

A review was performed on the prior year recommendations and corrective action was taken on all prior year findings except those denoted with an asterisk(*).