



***TOWNSHIP OF BETHLEHEM
SCHOOL DISTRICT
COUNTY OF HUNTERDON, NEW JERSEY***

***AUDITORS MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS –
FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED
JUNE 30, 2019***

HODULIK & MORRISON, P.A.

A division of



**TOWNSHIP OF BETHLEHEM BOARD OF EDUCATION
HUNTERDON COUNTY, NEW JERSEY**

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

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INDEPENDENT AUDITOR'S REPORT

Honorable President and Members
of the Board of Education
Township of Bethlehem School District
County of Hunterdon, New Jersey

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 Northern Highlands Regional High School District, County of Bergen, New Jersey, as of and for the year ended June 30, 2019, and have issued our report thereon dated December 20, 2019.

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

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

HODULIK & MORRISON, P.A.
A Division of PKF O'Connor Davies
Certified Public Accountants
Registered Municipal Accountants
Public School Accountants

Robert S. Morrison
Public School Accountant
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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, and the records of the various funds and accounts under the auspices of the Board of Education.

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

ADMINISTRATIVE PRACTICES AND PROCEDURES

Insurance

The District is a member of the New Jersey School Boards Association Insurance Group, a joint insurance fund formed under the provisions of N.J.S.A. 18A:18:b-1 et seq. One of the objectives of a joint insurance fund is to provide a cost-effective risk management program. This is accomplished through member risk retention, pooled risk retention through the fund, and the procurement of excess insurance coverage at premiums that reflect the combined purchasing power of all the fund members. The fund's risk management plan, which sets forth limits of coverage, individual member risk retention (per occurrence and aggregate), fund risk retention, is set forth on Exhibit J-20 of the District's CAFR. No attempt was made to determine the adequacy of coverage as part of this report. Adequacy of coverage is the responsibility of the Board of Education.

Official Bonds

The following position was covered by a Surety Bond, which exceeded the minimum required under N.J.A.C. 6A:23-16.4:

Ms. Lori A. Tirone, SBA/Board Secretary	\$200,000.00
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The District also has procured a Public Employees' Faithful Performance Blanket Position Bond, issued by the Selective Insurance Company and covering all other employees, with a coverage limit of \$250,000.

Examination of Claims

An examination of claims paid during the period under review indicated that the improvements in the record keeping and documentation standards that began in the prior year continued during the current period. All disbursement transactions were posted to the District's financial accounting system and were supported by properly authorized purchase orders and vendor invoices or other appropriate documents.

FINANCIAL PLANNING, ACCOUNTING AND REPORTING

Examination of Claims (Cont'd.)

A review of the purchase authorization and vendor payment procedures indicated that the system is functioning as designed. No exceptions were noted relating to budget lines charged, adequate documentation and evidence of authorization and approval signatures on issued purchase orders.

Tests of paid purchase orders for compliance with regulations requiring evidence of vendor registration with the New Jersey Department of Treasury prior to payment indicated that the improvements noted during the latter part of the previous fiscal year continued during the period under examination. Our test samples identified no instances where vendors were paid without obtaining the required evidence.

Payroll Account

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

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/School Business Administrator. Tests were made of these records with no exceptions noted. An acceptable tracking of the payroll deductions and their disbursements was done utilizing the "payroll deductions ledger" provided by the payroll service.

During the current audit period, the Business Office sustained the significant improvements in the timeliness and accuracy of the monthly reconciliation and proof process for payroll activity that we had noted in our previous report. Most District employees are now paid by direct deposit, and the Business Office Manager disbursed the amounts withheld to the appropriate agencies in a timely manner.

The District instituted a "Summer Payment" plan during 2014-15 that allows employees to make discretionary withholdings from their earnings which are accumulated in a Board controlled account for disbursement to the employees over the summer months. Deposits to the Summer Pay account were reconciled to employee deductions and the balance in the Summer Pay account was identified to each participating employee on a monthly basis.

During the current period, tests of payroll records indicated that the District had procedures in place to ensure the timely enrollment of all employees who are entitled to membership in the state-sponsored pension systems. Tests of employees whose payroll records indicated that no pension deductions were being withheld indicated that the employee was not eligible in every instance.

As part of our engagement, we also performed tests to determine that employees were being paid at the contractual rates approved by the Board or included in collective bargaining agreements, that employees who were eligible for health benefits were enrolled timely, and that employee contributions to the cost of health benefits were being deducted from employee pay in the proper amounts. These tests yielded no exceptions.

FINANCIAL PLANNING, ACCOUNTING AND REPORTING

Payroll Account (Cont'd.)

We noted that the District utilizes an external service organization for the processing of payrolls, and identified a significant component of the Bethlehem Township School District's internal control function exercised by this service organization. In accordance with applicable auditing standards we requested a report from an independent accountant on the service organization's controls placed in operation and the results of tests (if any) of the operating effectiveness of the controls.

In response, the District received such a report, covering the period from July 1, 2018 to June 30, 2019, which indicates that the service organization's controls are suitably designed to achieve the specified control objectives and have been placed in operation.

TPAF Reimbursement to the State for Federal Salary Expenditures

We reviewed the amounts of the expenditure charged to the current year's Final Report for all federal awards for the District to determine if the District was required to reimburse the State for the TPAF Pension and Social Security payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds. The reimbursement was properly calculated and remitted.

Reserve for Encumbrances, Liability (Current) for Accounts Payable Classification of Expenditures

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. The use of blanket orders during the school year was minimal, was based on operating efficiencies, and controls over their utilization were found to be good.

Tests of the records indicated that encumbrances were recorded in the appropriate accounting period and that all amounts payable at the close of the year based upon delivery of goods and/or performance of services had been charged against the current year budget appropriations, with no exceptions noted.

Board Secretary's Records

Our audit of the records of the School Business Administrator/Board Secretary identified several audit adjustments that were required to fairly present the financial condition and operating results of the District. The most significant of these required adjustments was needed to reverse the duplicate posting of the 2018-2019 tax levy as District revenue. This uncorrected error resulted in an overstatement of fund balance and accounts receivable at the close of the year.

It is recommended:

That the monthly closeout process followed by the School Business Administrator be expanded to include a full proof of all assets and

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONT'D)

Board Secretary's Records (Cont'd.)

The official minute record was found to be sufficient for a required permanent record. Official minutes were signed by the Board Secretary and approved by the Board at subsequent meetings. An official attachments record is maintained by the Secretary as a supplement to the minute records for items too large or cumbersome to include in the minute books.

Treasurer's Records

For the past five years, upon the elimination of the Treasurer position, the Business Office has been responsible for maintaining the Treasurer's records. However, due to staff reductions in the Business Office, the timeliness of the performance of the Treasurer function has become an increasing burden. We have been advised that the District has reinstated the position of Treasurer of School Moneys during the 2019-2020 school year.

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (I.A.S.A.) as amended by the Every Student Succeeds Act (ESSA)

The E.S.E.A./NCLB 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, II and IV of the Elementary and Secondary Education Act as amended. Additional federal funding was received for I.D.E.A. Part B Basic and Preschool programs.

At June 30, 2018, the District's financial records reported accounts receivable from the federal government of \$45,588 based upon amounts expended under Title I of ESSA. However, during the current school year, only \$37,596 of reimbursements were received, leaving an uncollected balance of \$7,992. It is essential that the School Business Administrator and the Title I Program Coordinator follow up on this matter and file the documents necessary to collect the balance due to the District.

Other Special Federal and/or State Projects

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

The financial exhibits are contained within the Special Revenue section of the CAFR, which documents the financial position pertaining to the aforementioned special projects on a grant accounting budgetary basis and reports the financial position of the fund on a GAAP basis at June 30, 2019.

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. The payroll software produces reports of T.P.A.F. employees and covered salaries, and calculates the amounts of reimbursements to be sought. Tests of these reports yielded no exceptions.

SCHOOL PURCHASING PROGRAMS

Contracts and Agreements Requiring Advertisement for Bids

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

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

"b. Commencing in the fifth year after the year in which P.L. 1999. c.440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the board of education is permitted to establish as set forth in subsection a. of this section to the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S. 18A:18A-2, and shall round the adjustment to the nearest \$1,000.

The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1, of the year in which it is made."

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

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

Effective July 1, 2015 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 (as amended) and 18A:18A-3(a) are \$40,000.00 (with a Qualified Purchasing Agent) and \$29,000.00 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$19,000 for 2018-19.

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

SCHOOL PURCHASING PROGRAMS (Cont'd.)

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

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained.

Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

Our tests did not reveal any instances of individual payments, contracts or agreements for the performance of work or the provision of goods or services in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4, amended.

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

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.

The results of the audit indicated that the existing procurement policies and procedures were adequate to identify contemplated purchases that required additional procedures (quotes, bids, etc.) to comply with the provisions of the School Contracts Law, and no instances of non-compliance were identified by the audit.

Any interpretation as to possible violation of statute(s) would be in the province of the Board's solicitor.

Pay-to-Play Requirements

An anomaly exists in the "Pay-to-Play" statutes when they are matched with the School Public Contracts Law (SPCL) requirements to determine compliance requirements. The threshold for Pay-to-Play was set at \$17,500, with no escalator provision. At the time c.271 was enacted, the bid threshold per the SPCL was also set at \$17,500. However, effective July 1, 2005, the bid threshold was increased to \$21,000. Subsequent adjustments by the Governor pursuant to the enabling statute have further increased the bid threshold. This created a gap for compliance, as under c. 271, a contract not awarded using a fair & open process and exceeding \$17,500 triggers the filing of additional documentation relating to ownership of the contracting entity and disclosure of political contributions. Since "Pay-to-Play" laws cover all contracts (not just professional services as some believe) any contract (or aggregation of purchases of similar goods or services) that does not meet "fair and open" standards requires the District to obtain the necessary c. 271 documents. The provisions of c. 271 became effective on January 1, 2006.

Pay-to-Play Requirements (Cont'd)

The District has modified its purchase order approval procedures to require a determination prior to approval that the vendor in question will not exceed \$17,500 in the aggregate based upon the approval. In circumstances where the approval of a purchase order would result in the need for compliance with the pay-to-play regulations, the PO process is held in abeyance pending receipt of the requisite compliance documents. However, to our knowledge, this revised procedure has not been formalized as part of Board Policy or a formal purchasing manual. Tests of vendor records did not identify any noncompliance with the provisions of c. 271.

SCHOOL FOOD SERVICE FUND

The school food service program was not selected as a major federal or state program. Furthermore, the program expenditures did not exceed \$100,000 in federal support. 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. The Bethlehem School District is a participant in the National School Lunch Program.

The District utilizes a food service management company (FSMC) and is depositing and expending monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. No exceptions noted for items tested.

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.

The number of meals claimed for reimbursement was verified against sales and meal count records. Reimbursement vouchers were timely filed, and meals claimed were in agreement with meal count records.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications on file, times the number of operating days, on a school by school basis. The free and reduced price meal was reviewed for uniform administration throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review.

Expenses consist of billings from a contractor engaged by the Board to administer the District's cafeteria operations. All billings were fully itemized, and audit tests revealed no exceptions to the terms of the contract.

The District's FSMC provided detailed program and non-program revenue and expenditure information necessary to execute the USDA mandated Non-Program Revenue Tool at least annually. However, the scope of our engagement did not include audit procedures to determine that this information was based upon USDA approved allocation procedures. Furthermore, the Service Organization Control Report (SOC 1, Type II) provided by the FSMC did not identify the FSMC's procedures to allocate program and non-program expenses as a significant internal control and no testing of these allocations was indicated in the report. A review of the standard FSMC contract language indicated that such testing has not been mandated.

SCHOOL FOOD SERVICE FUND (CONT'D.)

Appropriate records were maintained to substantiate the non-profit status of the Food Service Fund. Net cash resources did not exceed three months' average expenses.

We noted that the District has established an on-line prepayment system for its food service program and has acquired the requisite software to permit the tracking of account balances. However, the food management company (FMC) has not modified its monthly reporting to provide a tracking of monthly prepayment receipts, sales against these accounts, and proofs of the monthly balances (prepaid and overdrawn) reported by the software. Modifications to the monthly financial reports prepared by the FMC provided greater tracking of cash sales and payments to accounts.

U.S.D.A. commodities were received and separate inventory records were maintained by the contractor on a first-in, first-out basis.

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

STUDENT ACTIVITIES FUNDS

Student activity account financial records were sufficient to identify cash received and disbursed by purpose or function. Cash reconciliations were performed on a monthly basis. The SBA increased her reviews of account activity during the current period to assure that appropriate transactional records and periodic reconciliations were being maintained.

APPLICATION FOR STATE SCHOOL AID (A.S.S.A.)

Our audit included a test of information reported in the October 15, 2017 Application for State School Aid (ASSA) for on-roll, private schools for the handicapped, low-income and bilingual. We also performed a review of District procedures relating to its completion.

The District maintained workpapers on the prescribed state forms or their equivalent. The District written procedures appear to be adequate for the recording of student enrollment data.

The ASSA workpapers, as originally presented, were not in agreement with the student counts as reported by the District on its ASSA. Subsequent reviews with District staff identified the discrepancy as the result of the exclusion of workpapers relating to "Choice" students from the workpapers provided to the audit team. This document resolved the initial discrepancy, and the audit was able to ascertain that the ASSA, as filed, was correct.

PUPIL TRANSPORTATION

Our procedures included a test of on-roll status reported in the 2017-18 District Report of Resident Transported Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with minor exceptions noted. The results of our procedures are presented in the Schedule of Audited Enrollments. Our procedures also included a review of transportation related contracts and purchases.

TESTING FOR LEAD OF ALL DRINKING WATER IN EDUCATIONAL FACILITIES

The 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.

ACKNOWLEDGMENT

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

Respectfully submitted,



HODULIK & MORRISON, P.A.
A Division of PKF O'Connor Davies LLP
Certified Public Accountants
Public School Accountants



Robert S. Morrison
Certified Public Accountant
Public School Accountant #871

SCHEDULE OF AUDITED ENROLLMENTS

BETHLEHEM SCHOOL DISTRICT
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2018

	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 Private Schools	Sample for Verifi-cation	Sample Verified	Sample Errors		
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared						
Half Day Preschool	2	-	2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Full Day Preschool - 3 Yr	4	-	4	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Full Day Preschool - 4 Yr	6	-	6	-	-	-	1	-	1	-	-	-	-	-	-	-	-	
Full Day Kindergarten	21	-	21	-	-	-	14	-	14	-	-	-	-	-	-	-	-	
One	28	-	28	-	-	-	19	-	19	-	-	-	-	-	-	-	-	
Two	30	-	30	-	-	-	18	-	18	-	-	-	-	-	-	-	-	
Three	23	-	23	-	-	-	11	-	11	-	-	-	-	-	-	-	-	
Four	32	-	32	-	-	-	19	-	18	-	1	-	-	-	-	-	-	
Five	29	-	29	-	-	-	15	-	15	-	-	-	-	-	-	-	-	
Six	27	-	27	-	-	-	19	-	19	-	-	-	-	-	-	-	-	
Seven	40	-	40	-	-	-	28	-	28	-	-	-	-	-	-	-	-	
Eight	31	-	31	-	-	-	26	-	26	-	-	-	-	-	-	-	-	
Nine																		
Ten																		
Eleven																		
Twelve																		
Post-Graduate																		
Adult H.S. (15+CR.)																		
Adult H.S. (1-14 CR.)																		
Subtotal	273	-	273	-	-	-	170	-	169	-	1	-	-	-	-	-	-	-
Special Ed - Elementary	58	-	58	-	-	-	15	-	15	-	-	-	-	-	-	-	-	-
Special Ed - Middle School	23	-	23	-	-	-	10	-	9	-	1	-	2	2	2	2	2	-
Special Ed - High School																		
Subtotal	81	-	81	-	-	-	25	-	24	-	1	-	2	2	2	2	2	-
Co. Voc. - Regular																		
Co. Voc. Ft. Post Sec.																		
Totals	354	-	354	-	-	-	195	-	193	-	2	-	2	2	2	2	2	-
Percentage Error					0.00%	0.00%					1.03%	0.00%						0.00%

SCHEDULE OF AUDITED ENROLLMENTS

BETHLEHEM SCHOOL DISTRICT
 APPLICATION FOR STATE SCHOOL AID SUMMARY (continued)
 ENROLLMENT AS OF OCTOBER 15, 2018

	Resident Low Income						Sample for Verification			Resident LEP Low Income						Sample for Verification		
	Reported on A.S.S.A. as Low Income		Reported on Workpapers as Low Income		Errors		Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A. as LEP Low Income		Reported on Workpapers as LEP Low Income		Errors		Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
	Full	Shared	Full	Shared	Full	Shared				Full	Shared	Full	Shared	Full	Shared			
Full Day Preschool	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	1	-	1	-	-	-	1	1	-	-	-	-	-	-	-	-	-	-
One	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Two	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Three	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Four	1	-	1	-	-	-	1	1	-	-	-	-	-	-	-	-	-	-
Five	1	-	1	-	-	-	1	1	-	-	-	-	-	-	-	-	-	-
Six	1	-	1	-	-	-	1	1	-	-	-	-	-	-	-	-	-	-
Seven	1	-	1	-	-	-	1	1	-	-	-	-	-	-	-	-	-	-
Eight	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nine	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ten	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eleven	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Twelve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	5	-	5	-	-	-	5	5	-	-	-	-	-	-	-	-	-	-
Sp Ed - Elementary	5	-	5	-	-	-	4	4	-	-	-	-	-	-	-	-	-	-
Sp Ed - Middle School	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Sp Ed - High School	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	5	-	5	-	-	-	4	4	-	-	-	-	-	-	-	-	-	-
Total	10	-	10	-	-	-	9	9	-	-	-	-	-	-	-	-	-	-
Percentage Error					0.00%	0.00%			0.00%					#DIV/0!	0.00%			#DIV/0!

	Reported-on DRTRS by District	Reported on DRTRS by County	Errors	Tested		
				Tested	Verified	Errors
Regular - Public School	205	205	-	107	107	-
Non-Public Transportation	1	1	-	1	1	-
AIL Non-public	12	12	-	6	6	-
Regular Special Education	64	64	-	33	33	-
Special Needs	5	5	-	3	3	-
Totals	287	287	-	150	150	-

	Reported	Recalculated
Average mileage - regular including Grade PK students	5.1	5.1
Average mileage - regular excluding Grade PK students	5.1	5.1
Average mileage - special education with special needs	21	21

Percentage Error 0.00% 0.00%

SCHEDULE OF AUDITED ENROLLMENTS

**BETHLEHEM SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY (continued)
ENROLLMENT AS OF OCTOBER 15, 2018**

	<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 & Register</u>	<u>Sample Errors</u>
Full Day Preschool			-			-
Full Day Kindergarten			-			-
One			-			-
Two			-			-
Three			-			-
Four			-			-
Five			-			-
Six			-			-
Seven			-			-
Eight			-			-
Nine			-			-
Ten			-			-
Eleven			-			-
Twelve			-			-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sp Ed - Elementary			-			-
Sp Ed - Middle School			-			-
Sp Ed - High School			-			-
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

EXCESS SURPLUS CALCULATION

SECTION 1 - REGULAR DISTRICT

A. 2% Calculation of Excess Surplus

2018-19 Total General Fund Expenditures per the CAFR "C-1"	\$ <u>10,615,616.66</u> (B)
Increased by Applicable Operating Transfers:	
Transfer from Capital Outlay to Capital Projects Fund	\$ <u>0.00</u> (B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ <u>0.00</u> (B1b)
Transfer from General Fund to SRF for Pre-K Regular	\$ <u>0.00</u> (B1c)
Transfer from General Fund to SRF for Pre-K Inclusion	\$ <u>0.00</u> (B1d)
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ <u>1,309,217.06</u> (B2a)
Assets Acquired Under Capital Leases	\$ _____ (B2b)
Adjusted 2018-19 General Fund Expenditures [(B)+(B1s)-B2s]	<u>9,306,399.60</u> (B3)
2% of Adjusted 2018-19 General Fund Expenditures [(B3) times .02]	\$ <u>186,127.99</u> (B4))
Enter Greater of (B4) or \$250,000	\$ <u>250,000.00</u> (B5)
Increased by: Allowable Adjustment*	\$ <u>73,435.00</u> (K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$ <u>323,435.00</u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/19 (Per CAFR Budgetary Comparison schedule/statement)	\$ <u>2,396,239.61</u> (C)
Decreased by:	
Reserve for Encumbrances	\$ _____ (C1)
Legally Restricted -Designated for Subsequent Year's Expenditures	\$ _____ (C2)
Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ <u>351,849.13</u> (C3)
Other Reserved Fund Balances****	\$ <u>1,320,498.61</u> (C4)
Assigned Unreserved Fund Balance - Designated for Subsequent Year's Expenditures	\$ <u>24,303.87</u> (C5)
Additional Assigned Fund Balance-Unreserved-Designated for Subsequent Year Expenditures July 1-August 1, 2019	\$ _____ (C6)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]	\$ <u>699,588.00</u> (U1)

SECTION 3

Restricted Fund Balance-Excess Surplus ***((U1-(M)) If negative enter -0-	\$	<u>376,153.00</u>	(E)
<u>Recapitulation of Excess Surplus as of June 30, 2019</u>			
Reserved Excess Surplus-Designated for Subsequent Year's Expenditures**	\$	<u>351,849.13</u>	(C3)
Reserved Excess Surplus*** (E)	\$	<u>376,153.00</u>	(E)
Total Excess Surplus [(C3) +(E)]	\$	<u><u>728,002.13</u></u>	(D)

Footnotes:

*Allowable adjustment to expenditures on line K must be 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 NJSA 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, 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 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 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4).

(I) Sale and Leaseback (Refer to 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 audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid, Family Crisis Transportation Aid, and Additional Non public School Transportation Aid

Detail of Allowable Adjustments

Impact Aid	\$	<u>0</u>	(H)
Sale & Lease-back	\$	<u>0</u>	(I)
Extraordinary Aid	\$	<u>69,665.00</u>	(J1)
Additional Nonpublic School Transportation Aid	\$	<u>3,770.00</u>	(J2)
Current year School Bus Advertising Rev. Recognized	\$	<u>0.00</u>	(J3)
Family Crisis Transportation Aid	\$	<u></u>	(J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)]	\$	<u>73,435.00</u>	(K)

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

*** Amount must agree to the June 30, 2019 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 any other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

Detail of Other Reserved Fund Balance

Statutory restrictions:

Approved unspent spearate proposal	\$	<u></u>
Sale/lease-back reserve	\$	<u></u>
Capital Reserve	\$	<u>654,199.13</u>
Maintenance Reserve	\$	<u>666,299.48</u>
Emergency Reserve	\$	<u></u>
Tuition Reserve	\$	<u>0.00</u>
School Bus Advertising 50% Fuel Offset Reserve-current year	\$	<u></u>
School Bus Advertising 50% Fuel Offset Reserve-prior year	\$	<u></u>
Impact Aid General Fund Reserve (Sec. 8002 & 8003)	\$	<u></u>
Impact Aid Capital Fund Reserve (Sec. 8007 & 8008)	\$	<u></u>
Other state/government mandated reserve	\$	<u></u>
(Other Restricted Fund Balance not noted above)****	\$	<u></u>
Total Other Reserved Fund Balance	\$	<u>1,320,498.61</u> (C4)

BETHLEHEM SCHOOL DISTRICT
AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2019

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

That the monthly closeout process followed by the School Business Administrator be expanded to include a full proof of all assets and liabilities prior to the release of the monthly Board Secretary's Report.

3. School Purchasing Programs

None

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

There were no prior year recommendations as a result no correction action was required.