

**BOARD OF EDUCATION OF THE
CITY OF SALEM SCHOOL DISTRICT
COUNTY OF SALEM**

**AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2019**



CITY OF SALEM SCHOOL DISTRICT
Auditor's Management Report on Administrative
Findings - Financial, Compliance and Performance

Table of Contents

	<u>Page</u>
Auditor's Management Report on Administrative Findings - Financial, Compliance and Performance	1
Scope of Audit	2
Administrative Practices and Procedures	
Insurance	2
Official Bonds	2
Tuition Charges	2
Financial Planning, Accounting and Reporting	
Examination of Claims	2
Payroll Account	2
Employee Position Control Roster	3
Encumbrances and Accounts Payable	3
Travel	3
Classification of Expenditures	3
• General Classifications	3
• Administrative Classifications	3
Board Secretary's Records	3
Treasurer's Records	3
Elementary and Secondary Education Act as amended by the Every Student Succeeds Act (E.S.S.A.)	4
Other Special Federal and / or State Projects	4
TPAF Reimbursement	4
TPAF Reimbursement to the State for Federal Salary Expenditures	4
School Purchasing Programs	5
Contracts and Agreements Requiring Advertisement for Bids	5
School Food Service	5
Student Body Activities	6
Application for State School Aid (ASSA)	6
Pupil Transportation	7
Facilities and Capital Assets	7
Miscellaneous	7
Follow-up on Prior Year Findings	8
Acknowledgment	8
Schedule of Meal Count Activity	9
Schedule of Net Cash Resources	10
Schedule of Audited Enrollments	11
Excess Surplus Calculation	14
Audit Recommendations Summary	17

**AUDITOR'S MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE**

The Honorable President and
Members of the Board of Education
City of Salem School District
County of Salem, 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 City of Salem School District, in the County of Salem, State of New Jersey, as of and for the fiscal year ended June 30, 2019, which were separately issued in the Comprehensive Annual Financial Report dated December 21, 2019.

As part of our audit, we also 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 issued in conjunction with the Comprehensive Annual Financial Report of the Board of Education of the City of Salem School District, for the fiscal year ended June 30, 2019, and is intended for the information of the School District's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Henry J. Ludwigsen
Certified Public Accountant
Public School Accountant No. CS 001112

Woodbury, New Jersey
December 21, 2019

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE**SCOPE OF AUDIT**

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

ADMINISTRATIVE PRACTICES AND PROCEDURES**Insurance**

Fire insurance coverage was carried in the amounts as detailed on exhibit J-20, insurance schedule, contained in the School District's Comprehensive Annual Financial Report (CAFR).

Official Bonds (N.J.S.A. 18A: 17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Herbert Schectman	Board Secretary / School Business Administrator	\$50,000.00
Linda Jones	Treasurer of School Moneys	300,000.00

There is a blanket dishonesty bond covering all other employees with the following coverage: \$100,000.00 all other employees with multiple coverage of \$100,000.00.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The School District 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-17.1(f)3.

FINANCIAL PLANNING, ACCOUNTING, AND REPORTING**Examination of Claims**

Sampled claims paid during the fiscal year under audit did not indicate any reportable noncompliance with respect to signatures, certification, or supporting documentation.

Payroll Account

The net salaries of sampled employees of the School District were deposited in the net payroll account. Employees' payroll deductions and the employer's share of fringe benefits were deposited in the payroll agency account.

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

Sampled salary withholdings were promptly remitted to the proper agencies, including health benefit premium withholdings due to the general fund.

Sampled payrolls were delivered to the Treasurer of School Moneys with a warrant made to his order for the full amount of the payroll.

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

Employee Position Control Roster

A sample of the Employee Position Control Roster indicated that it was in satisfactory condition and was approved by the county office submission with the 2018-2019 budget review checklist.

Encumbrances and Accounts Payable

A sample of outstanding issued purchase orders was made as of June 30 for proper classification of orders as encumbrances and accounts payable. Our sample did not indicate any reportable noncompliance with respect to classification of orders.

Travel

A sample of travel expenditures during the fiscal year under audit did not indicate any reportable noncompliance.

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 randomly sampled expenditure transactions. We also tested the coding of all expenditures included in our compliance and single audit sampling procedures. In addition, a sample was selected that specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. Our samples did not indicate any reportable noncompliance with respect to classification of expenditures.

Board Secretary's Records

Our audit of the financial and accounting records maintained by the Board Secretary indicated the following:

Finding No. 2019-001 (CAFR Finding No. 2019-001)

Per N.J.A.C. 6A:23A-16.10, a School District should not end a fiscal year with a cumulative deficit in the General Fund. Accordingly, the School District ended the year with a cumulative deficit of \$621,114.95 in the General Fund.

Recommendation

The School District should strengthen internal control procedures over the review of the financial position of all funds in the district, specifically the General Fund and efforts should be made to eliminate the cumulative deficit in the General Fund.

Finding No. 2019-002 (CAFR Finding No. 2019-002)

The maintenance of a complete and accurate set of financial records, including the general ledger, are required by the State Department of Education. These records summarize all account balances of the School District and should be available for accurate budgeting purposes, financial analysis, and financial reporting requirements. Accordingly, the School District did not have a fully functioning financial reporting system to allow for use in accurate budgeting, financial analysis, and financial reporting for the fiscal year ended June 30, 2019.

Recommendation

That the School District strengthen existing internal controls and implement additional internal controls to help oversee the completion of complete and accurate financial records for use in budgeting, financial analysis, and financial reporting.

Treasurer of School Moneys' Records

Our audit of the financial and accounting records maintained by the Treasurer of School Moneys indicated the above referenced findings: 2019-001 and 2019-002.

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

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

The E.S.S.A. financial exhibits are contained within the special revenue section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I, II and IV of the Every Student Succeeds Act.

The audit of compliance for E.S.S.A. did not indicate any reportable noncompliance.

Other Special Federal and / or State Projects

The School District's other special projects were approved as listed on exhibits K-3 and K-4 located in the CAFR.

Our audit of the federal and state funds on a sample 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 other special projects.

The audit of compliance for other special projects did not indicate any reportable noncompliance.

TPAF Reimbursement

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

TPAF Reimbursement to the State for Federal Salary Expenditures

Finding No. 2019-004 (CAFR Finding No. 2019-004)

The reimbursement to the State for 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 for those employees whose salaries are identified as being paid from federal funds was made subsequent to the end of the 90 day grant liquidation period required by the Office of Grants Management and N.J.S.A. 18A:66-90. Accordingly, the School District did not remit payment to the State of New Jersey Treasurer within the required time period.

Recommendation

The School District should adopt internal control procedures designed to ensure that reimbursement(s) of TPAF/FICA paid by the State on-behalf of TPAF employees charged to federal grants are properly remitted within the statutory 90 day liquidation period.

SCHOOL PURCHASING PROGRAMS

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-1 et seq. (Public School Contracts Law), the associated rules and related information on the statute, and the school contracts in general, are available on the following website:

<https://www.state.nj.us/dca/divisions/dlgs/programs/lpcl.html>

Current statute is posted on the New Jersey Legislature website at:

<http://www.njleg.state.nj.us/>

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 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 \$19,000.00 for 2018-19.

The School District's 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.

Based on the results of our audit, we did not note any individual payments, contracts, or agreements made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4.

Resolutions were adopted authorizing the awarding of contracts 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 audited. The financial accounts, meal count records, and eligibility applications were tested on a sample basis. No exceptions were noted.

Cash receipts and bank records were sampled for timely deposit. No exceptions were noted.

The School 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 Cost Reimbursable or Fixed Price contract / addendum were inspected and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will return a profit of at least \$50,000.00. The operating results provision has been met. All vendor discounts, rebates, and credits from vendors and/or the FSMC were tracked and credited to the food service account and reconciled to supporting documentation at least annually.

Expenditures should be separately recorded as food, labor, and other costs. Vendor invoices were sampled 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.

25800

SCHOOL FOOD SERVICE (CONT'D)

Net cash resources did exceed three months average expenditures.

Finding No. 2019-003 (CAFR Finding No. 2019-003)

A Food Service Fund's Net Cash Resources should not exceed its three months average expenditures. Accordingly, the School District's Food Service Fund Net Cash Resources exceeded its three months average expenditures by \$133,244.36.

Recommendation

That the School District develop a plan to reduce the Food Service Fund's Net Cash Resources below its three month average expenditures.

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.

Sampled applications for free and reduced price meals were tested for completeness and accuracy. 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 inspected for uniform administration throughout the school system. The required verification procedures for free and reduced price applications were completed and available for audit.

USDA 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 statement of revenues, expenses, and changes in fund net position (CAFR exhibit B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

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

STUDENT BODY ACTIVITIES

Our audit of the financial and accounting records for student activities indicated that they were in satisfactory condition.

APPLICATION FOR STATE SCHOOL AID

Our audit procedures included a sample of information reported in the October 15, 2018 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the disabled, low-income, and bilingual. We also performed an inspection of the School District procedures related to its completion. The information on the A.S.S.A. was compared to the School 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 School District maintained workpapers on the prescribed State forms or their equivalent.

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

PUPIL TRANSPORTATION

Our audit procedures included a sample of on-roll status reported in the 2018-2019 District Report of Transported Resident Students (DRTRS). The information that was reported 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 also included a sample of transportation related contracts and purchases. Based on our sample, the School District complied with proper bidding procedures and award of contracts. No exceptions were noted in our sample of transportation related purchases of goods and services.

FACILITIES AND CAPITAL ASSETS

Our audit of the financial and accounting records for facilities and capital assets indicated that they were in satisfactory condition.

MISCELLANEOUS

Continuing Disclosure Agreements

The School District complied with its most recent continuing disclosure agreements made in relation to prior year bond issuances.

Testing for Lead of All Drinking Water in Education Facilities

The School District did comply with all the requirements of N.J.A.C. 6A:26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

The School District submitted the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

FOLLOW-UP ON PRIOR YEAR'S FINDINGS

There were no findings for the fiscal year ended June 30, 2018.

There were no Office of Fiscal Accountability and Compliance audit reports issued during the fiscal year ended June 30, 2019.

ACKNOWLEDGMENT

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

Respectfully submitted,

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Henry J. Ludwigsen
Public School Accountant No. CS 001112

CITY OF SALEM SCHOOL DISTRICT
 Schedule of Meal Count Activity
 Food Service Fund
 Number of Meals Served and (Over) / Underclaim - Federal
 Enterprise Fund
 For the Fiscal Year Ended June 30, 2019

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>Estimated (Over) / Under Claim</u>
National School Lunch (Regular Rate)	Paid	-	-	-	-	\$ 0.31	\$ -
	Reduced	-	-	-	-	2.91	-
	Free	<u>184,416</u>	<u>184,416</u>	<u>184,416</u>	<u>-</u>	3.31	<u>-</u>
	Total	<u>184,416</u>	<u>184,416</u>	<u>184,416</u>	<u>-</u>		<u>-</u>
National School Lunch	HHFKA - PB Lunch Only	<u>184,416</u>	<u>184,416</u>	<u>184,416</u>	<u>-</u>	0.06	<u>-</u>
School Breakfast (Regular Rate)	Paid	-	-	-	-	0.31	-
	Reduced	-	-	-	-	1.49	-
	Free	<u>122,740</u>	<u>122,740</u>	<u>122,740</u>	<u>-</u>	1.79	<u>-</u>
	Total	<u>122,740</u>	<u>122,740</u>	<u>122,740</u>	<u>-</u>		<u>-</u>
Special Milk	Paid	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	0.2050	<u>-</u>
After School Snacks	Paid	-	-	-	-	0.08	-
	Reduced	-	-	-	-	0.45	-
	Free (Area Eligible)	<u>9,241</u>	<u>9,241</u>	<u>9,241</u>	<u>-</u>	0.91	<u>-</u>
	Total	<u>9,241</u>	<u>9,241</u>	<u>9,241</u>	<u>-</u>		<u>-</u>
CACFP (d) - Food	Free				-	3.16	-
CACFP (d) - Cash-in-lieu of USDA Foods	Free				-	0.2350	-
Total Net Underclaim / (Overclaim)							<u>\$ -</u>

CITY OF SALEM SCHOOL DISTRICT
 Schedule of Net Cash Resources
 Net Cash Resources Did Exceed Three Months of Expenditures
 Proprietary Funds - Food Service Fund
 For the Fiscal Year Ended June 30, 2019

<u>Net Cash Resources:</u>	<u>Food Service B - 4/5</u>	
CAFR	Current Assets	
B-4	Cash & Cash Equivalents	\$ 320,331.02
B-4	Due from Other Governments	38,934.64
B-4	Due from Other Funds	435,522.37
B-4	Accounts Receivable	4,601.25
CAFR	Current Liabilities	
B-4	Less Accounts Payable	(346,339.25)
B-4	Less Accruals	
B-4	Less Due to Other Funds	
B-4	Less Unearned Revenue	
	 Net Cash Resources	 <u><u>\$ 453,050.03</u></u>

(A)

Net Adjusted Total Operating Expense:

B-5	Total Operating Expenditures	\$ 1,088,570.19	
B-5	Less Depreciation	(22,551.29)	
	 Adjusted Total Operating Expense	 <u><u>\$ 1,066,018.90</u></u>	 (B)

(B)

Average Monthly Operating Expense:

B / 10	<u><u>\$ 106,601.89</u></u>	(C)
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(C)

Three Times Monthly Average:

3 X C	<u><u>\$ 319,805.67</u></u>	(D)
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(D)

TOTAL IN BOX A	\$ 453,050.03
LESS TOTAL IN BOX D	\$ 319,805.67
NET	<u><u>\$ 133,244.36</u></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.

CITY OF SALEM SCHOOL DISTRICT
 Application for State School Aid Summary
 Schedule of Audited Enrollments
 Enrollment as of October 15, 2018

	2018-2019 Application for State School Aid						Sample for Verification						Private Schools for the 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																
Full Day Preschool	76		76					76		76						
Half Day Kindergarten	83		83					83		83						
Full Day Kindergarten	112		112					112		112						
One	74		74					74		74						
Two	74		74					74		74						
Three	84		84					84		84						
Four	64		64					64		64						
Five	56		56					56		56						
Six	55		55					55		55						
Seven	47		47					47		47						
Eight	36		36					36		36						
Nine	96		96					96		96						
Ten	65		65					65		65						
Eleven	69	1	69	1				69	1	69	1					
Twelve	74		74					74		74						
Post-Graduate																
Adult H.S. (15+CR.)																
Adult H.S. (1-14CR.)																
Subtotal	1,065	1	1,065	1	-	-	1,065	1	1,065	1	-	-	-	-	-	-
Special Education-Elementary	64		64					64		64			2	2	2	
Special Education-Middle School	38		38					38		38			2	2	2	
Special Education-High School	72		72					72		72			8	8	8	
Subtotal	174	-	174	-	-	-	174	-	174	-	-	-	12	12	12	-
Co. Voc. - Regular																
Co. Voc. Ft. Post Sec.																
Subtotal					-	-						-	-	-	-	-
Totals	1,239	1	1,239	1	-	-	1,239	1	1,239	1	-	-	12	12	12	-
Percentage Error																

CITY OF SALEM SCHOOL DISTRICT
 Application for State School Aid Summary
 Schedule of Audited Enrollments
 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, Test Score and Register	Sample Errors
Half Day Preschool												
Full Day Preschool												
Half Day Kindergarten												
Full Day Kindergarten												
One	94	94		94	94							
Two	61	61		61	61							
Three	66	66		66	66							
Four	73	73		73	73		1	1		1	1	
Five	60	60		60	60							
Six	44	44		44	44		1	1		1	1	
Seven	49	49		49	49		1	1		1	1	
Eight	39	39		39	39		1	1		1	1	
Nine	31	31		31	31		2	2		2	2	
Ten	44	44		44	44		2	2		2	2	
Eleven	27	27		27	27							
Twelve	29	29		29	29							
Post-Graduate	24	24		24	24							
Adult H.S. (15+CR.)												
Adult H.S. (1-14CR.)												
Subtotal	641	641		641	641		8	8		8	8	-
Special Education-Elementary	64	64		64	64		2	2		2	2	
Special Education-Middle School	46	46		46	46		2	2		2	2	
Special Education-High School	57	57		57	57		1	1		1	1	
Subtotal	167	167	-	167	167	-	5	5	-	5	5	-
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Subtotal			-			-	-	-	-	-	-	-
Totals	808	808		808	808		13	13		13	13	-
Percentage Error												

	Transportation						Reg. Avg. (Mileage) = Regular Including Grade PK students (Part A)	Reg. Avg. (Mileage) = Regular Excluding Grade PK students (Part B)	Spec. Avg. (Mileage) = Special Ed. with Special Needs	Reported	Re-Calculated
	Reported on DRTRS by DOE/County	Reported on DRTRS by District	Errors	Tested	Verified	Errors					
Reg. - Public Schools, Col. 1	78	78		48	48				4.5	4.5	
Reg. - SpEd, Col. 4	10	10		6	6				4.5	4.5	
Transported - Non-Public, Col. 3											
Special Needs, Col. 6	69	69		43	42	1			10.6	10.6	
Totals	157	157	-	97	96	1					
Percentage Error			-			1.03%					

CITY OF SALEM SCHOOL DISTRICT
 Application for State School Aid Summary
 Schedule of Audited Enrollments
 Enrollment as of October 15, 2018

	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.S.S.A. as NOT Low <u>Income</u>	Reported on Workpapers as NOT Low <u>Income</u>	<u>Errors</u>	Sample Selected from <u>Workpapers</u>	Verified to Test Score <u>and Register</u>	Sample <u>Errors</u>
Half Day Preschool						
Full Day Preschool						
Half Day Kindergarten						
Full Day Kindergarten						
One						
Two						
Three						
Four						
Five						
Six						
Seven						
Eight						
Nine						
Ten						
Eleven	1	1		1	1	
Twelve						
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14CR.)						
Subtotal	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	
Special Education-Elementary						
Special Education-Middle School						
Special Education-High School						
Subtotal			<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u><u>1</u></u>	<u><u>1</u></u>	<u><u>-</u></u>	<u><u>1</u></u>	<u><u>1</u></u>	
Percentage Error			<u><u>-</u></u>			

EXCESS SURPLUS CALCULATION

SCHOOL BASED BUDGET DISTRICT

SECTION 1

2% Calculation of Excess Surplus

2018-19 Total General Fund Expenditures Reported on CAFR Exhibit C-1	<u>\$ 24,978,575.23</u> (A)
Increased by Applicable Operating Transfers:	
Transfer from Capital Outlay to Capital Projects Fund	<u>-</u> (A1a)
Transfer from Capital Reserve to Capital Projects Fund	<u>1,435,562.00</u> (A1a)
Transfer from General Fund to Special Revenue Fund for Preschool - Regular	<u>-</u> (A1a)
Transfer from General Fund to Special Revenue Fund for Preschool - Inclusion	<u>-</u> (A1a)
Less: Expenditures Allocated to Restricted Federal Resources as reported on Exhibit D-2	<u>-</u> (A1b)
2018-19 Adjusted General Fund & Other State Expenditures [(A)+(A1a)-(A1b)]	<u>\$ 26,414,137.23</u> (A2)
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>3,608,986.50</u> (A3)
Assets Acquired Under Capital Leases:	
General Fund 10 Assets Acquired Under Capital Leases Reported on Exhibit C-1a	<u>-</u> (A4)
Add: General Fund & State Resources Portion of Fund 15 Assets Acquired Under Capital Leases:	
Assets Acquired Under Capital Leases in Fund 15 Reported on Exhibit C-1a	<u>-</u> (A5)
Combined General Fund Contribution & State Resources % of Fund 15 Resources Reported on Exhibit D-2	<u>0%</u> (A6)
General Fund & State Resources Portion of Fund 15 Assets Acquired Under Capital Leases [(A5)*(A6)]	<u>-</u> (A7)
Total Assets Acquired Under Capital Leases [(A4)+(A7)]	<u>-</u> (A8)
2018-19 General Fund Expenditures [(A2)-(A3)-(A8)]	<u>\$ 22,805,150.73</u> (A9)
2% of Adjusted 2018-19 General Fund Expenditures [(A9) times .02]	<u>\$ 456,103.01</u> (A10)
Enter Greater of (A10) or \$250,000	<u>456,103.01</u> (A11)
Increased by: Allowable Adjustment *	<u>112,827.41</u> (K)
Maximum Unassigned Fund Balance [(A11)+(K)]	<u>\$ 568,930.42</u> (M)

EXCESS SURPLUS CALCULATION (CONT'D)

SCHOOL BASED BUDGET DISTRICT

SECTION 2

Total General Fund - Fund Balances at June 30, 2019	\$ 332,234.44 (C)
Decreased by:	
Year-end Encumbrances	155,798.39 (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	<u>- (C2)</u>
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	<u>- (C3)</u>
Other Restricted Fund Balances ****	<u>207,000.00 (C4)</u>
Assigned Fund Balance - Designated for Subsequent Year's Expenditures	<u>590,551.00 (C5)</u>
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	<u>\$ (621,114.95) (U)</u>

SECTION 3

Restricted Fund Balance - Excess Surplus *** [(U)-(M)] IF NEGATIVE ENTER -0-	<u>\$ - (E)</u>
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Recapitulation of Excess Surplus as of June 30, 2019

Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ - (C3)
Restricted - Excess Surplus ***	<u>- (E)</u>
Total Excess Surplus [(C3)+(E)]	<u>\$ - (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, 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

Federal Impact Aid	\$ 1,388.41 (H)
Sale & Lease-Back	<u>- (I)</u>
Extraordinary Aid	<u>111,439.00 (J1)</u>
Additional Nonpublic School Transportation Aid	<u>- (J2)</u>
Current Year School Bus Advertising Revenue Recognized	<u>- (J3)</u>
Family Crisis Transportation Aid	<u>- (J4)</u>
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	<u>\$ 112,827.41 (K)</u>

EXCESS SURPLUS CALCULATION (CONT'D)

SCHOOL BASED BUDGET DISTRICT

Footnotes: (Cont'd)

- ** This amount represents the June 30, 2019 Excess Surplus (C3 above) and must be included in the Audit Summary Line 90031. This amount was to be appropriated in the 2019-2020 general fund budget.
- *** Amounts must agree to the June 30, 2019 CAFR and must agree to Audit Summary Line 90030.
- **** Amount for Other Restricted Fund Balance must be detailed for each source and request for approval to use amounts other than state imposed legal restrictions in the excess surplus calculation must be submitted to the Assistant Commissioner - Field Services prior to September 30.

Detail of Other Restricted Fund Balance

Statutory restrictions:

Approved unspent separate proposal	\$ -
Sale/lease-back reserve	-
Capital reserve (N-1)	-
Maintenance reserve (N-2)	207,000.00
Tuition reserve (N-3)	-
Emergency reserve (N-4)	-
School bus advertising 50% fuel offset reserve - current year (N-5)	-
School bus advertising 50% fuel offset reserve - prior year (N-6)	-
Impact Aid General Fund Reserve (Sections 8002 and 8003) (N-7)	-
Impact Aid Capital Fund Reserve (Sections 8007 and 8008) (N-8)	-
Other state/government mandated reserves	-
[Other Restricted Fund Balance not noted above]****	-
Total Other Restricted Fund Balance	<u>\$ 207,000.00 (C4)</u>

CITY OF SALEM 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

2019-001 - The School District should strengthen internal control procedures over the review of the financial position of all funds in the district, specifically the General Fund and efforts should be made to eliminate the cumulative deficit in the General Fund.

2019-002 - That the School District strengthen existing internal controls and implement additional internal controls to help oversee the completion of complete and accurate financial records for use in budgeting, financial analysis, and financial reporting.

2019-004 - The School District should adopt internal control procedures designed to ensure that reimbursement(s) of TPAF/FICA paid by the State on-behalf of TPAF employees charged to federal grants are remitted within the statutory 90 day liquidation period.

3. School Purchasing Programs

None

4. School Food Service

2019-003 - That the School District develop a plan to reduce the Food Service Fund's Net Cash Resources below its three month average expenditures.

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

None