

WATCHUNG BOROUGH SCHOOL DISTRICT  
COUNTY OF SOMERSET  
AUDITORS' MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS - FINANCIAL,  
COMPLIANCE AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2019

WATCHUNG BOROUGH SCHOOL DISTRICT  
COUNTY OF SOMERSET  
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE  
FINDINGS - FINANCIAL,  
COMPLIANCE AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2019  
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November 13, 2019

The Honorable President and Members  
of the Board of Education  
Watchung Borough School District  
County of Somerset, 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 financial statements of the Board of Education of the Watchung Borough School District in the County of Somerset for the fiscal year ended June 30, 2019, and have issued our report thereon dated November 13, 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 letter does not affect our report dated November 13, 2019, on the financial statements of the Board.

We will review the status of our comments during our next audit engagement. We have already discussed the comments and suggestions with various management personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

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

NISIVOCCIA LLP

A handwritten signature in black ink that reads "Valerie A. Dolan". The signature is written in a cursive style and is positioned above a horizontal line.

Valerie A. Dolan  
Licensed Public School Accountant #2526  
Certified Public Accountant

WATCHUNG BOROUGH SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2019

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer, 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

Multi-peril insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the district's CAFR.

Officials in Office and Surety Bonds

<u>Name</u>	<u>Position</u>	<u>Coverage</u>
Valery Petrone	Interim Business Administrator/Board Secretary	\$ 225,000
William J. Hance, Jr.	Treasurer of School Moneys	\$ 225,000

The District has Employee Dishonesty and Faithful Performance coverage through the Diploma Joint Insurance Fund for employees not separately bonded as detailed on Exhibit J-20 of the CAFR.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The Board made a proper adjustment to the billings to sending districts for the change in per pupil costs in accordance with N.J.A.C.6:23-3.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

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

Payroll Account and Position Control Roster

The net salaries of 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 tested were approved by the Chief School Administrator and certified by the President of the Board and the School Business Administrator and the Chief School Administrator.

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

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

WATCHUNG BOROUGH SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2019

Financial Planning, Accounting and Reporting (Cont'd)

Payroll Account and Position Control Roster (Cont'd)

Finding:

During our review of the payroll records it was noted that one employee was not paid in accordance with the approved contract.

Recommendation:

It is recommended that all employees be paid in accordance with their approved contracts.

Management Response:

All employees will be paid in accordance with their approved contracts.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made on a test basis as of June 30, for proper classification of orders as reserve for encumbrances and accounts payable.

Classification of Expenditures – General and Administrative

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6:23A-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, we also reviewed administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.2. As a result of the procedures performed, no errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classifications.

Transfer Approvals

Finding:

The District did not obtain County Superintendent approval for all required transfers as per State guidelines.

Recommendation:

It is recommended that the District obtain County Superintendent approval for all transfers as per State guidelines.

Management's Response:

The District will ensure to obtain County Superintendent approval for all required transfers as per State guidelines.

WATCHUNG BOROUGH SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2019

Financial Planning, Accounting and Reporting (Cont'd)

Board Secretary's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Board Secretary's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted below.

Finding:

Not all transactions that occurred during the school year were posted to the District's general ledger. This resulted in inaccurate cash balances reported on the Treasurer's records for the Capital Reserve, Maintenance Reserve and the General Fund. These amounts were recorded by administration at a later date to correct the financial records.

Recommendation:

It is recommended that the District general ledger be properly maintained and cash balances per the District records be properly allocated on the Treasurer's report.

Management Response:

Administration will ensure that the District general ledger will be properly maintained and cash balances per the District records will be properly allocated on the Treasurer's report.

Finding:

During our review of the various balance sheets it was noted that prior year interfund balances in the Food Service and Fiduciary Funds were still outstanding in the current year.

Recommendation:

It is recommended that all necessary cash transfers be made to ensure interfund balances are cleared in a timely manner.

Management Response:

All necessary cash transfers will be made to ensure interfund balances are cleared in a timely manner.

During our review of the Board Secretary's records it was also noted that the June 2019 Board Secretary's report was not submitted to County Superintendent before the August 1<sup>st</sup> deadline. As the December 2018 Board Secretary's report was submitted timely and the June 2019 relatively timely, no formal recommendation is deemed necessary at this time.

WATCHUNG BOROUGH SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2019

Treasurer's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Treasurer's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted below.

Finding:

The Food Service Fund cash balance reported on the Treasurer's Report is not in agreement with the Food Service Fund bank reconciliation.

Recommendation:

It is recommended that all necessary adjustments to the Treasurer's Report be made for the Food Service Fund to ensure agreement with the District's records.

Management Response:

All necessary adjustments to the Treasurer's Report will be made to ensure agreement with the District's records.

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

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the District's CAFR. This section of the CAFR documents the financial position pertaining to projects under Titles I, II, III and IV of the Elementary and Secondary Education Act as amended and reauthorized.

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.

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 T.P.A.F. Reimbursement to the State for Federal Salary Expenditures was remitted to the State of New Jersey prior to the required deadline of October 1, 2019. The reimbursement form was reviewed and no exceptions were noted.

WATCHUNG BOROUGH SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

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, 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 quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L.1971, c. 198 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 a 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 or 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.A. 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 . . . ."

N.J.S.A. 18A:18A-4 states, "Every contract for the provision or 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 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under *N.J.S.A.* 18A:39-3 is \$19,000 for 2018-2019.

As per N.J.S.A. 18A:18A-3(a), the Board passed a resolution authorizing the Business Administrator as a qualified purchasing agent and increasing the bid threshold to \$40,000.

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

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. General compliance was noted.

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.



WATCHUNG BOROUGH SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

School Purchasing Programs (Cont'd)

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

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.

School Food Service – Milk Program

The school food service program was not selected as a major federal and/or state program. We inquired of school management, or the 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.

Non-program foods were not purchased, prepared or offered for sale.

Finding:

During our review of the school District records it was noted that net cash resources of the Food Service Fund exceeded three months average expenditures.

Recommendation:

It is recommended that the Food Service Fund net cash resources do not exceed three months average expenditures.

Management Response:

The District will review the Food Service Fund expenditures and ensure net cash resources do not exceed three months average expenditures.

Student Body Activities

In planning and performing our audit of the financial statements of the Board, we considered the condition of the records of the Student Activities Fund for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted on the next page.

WATCHUNG BOROUGH SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

Student Body Activities (Cont'd)

Finding:

Receipt journals which indicate the date of receipt were not maintained for the Bayberry and Valley View student activity accounts, therefore, the date of turnover to the Board Office could not be determined.

Recommendation:

It is recommended that receipt journals indicating the date of receipt are maintained for the Bayberry and Valley View student activity accounts.

Management Response:

Administration will ensure that receipt journals indicating the date of receipt will be maintained for the Bayberry and Valley View student activity accounts.

Application for State School Aid

Our audit procedures included a test of enrollments and related services reported in the October 15, 2018 Application for State School Aid (A.S.S.A.) for on-roll, bilingual education, private schools for the handicapped, and low income. We also performed a review of the District procedures related to its completion. The results of our procedures are presented in the Schedule of Audited Enrollments.

Finding:

During our review of enrollment reported on the October 15, 2018 Application for State School Aid it was noted that 10 preschool students were double counted. Minor errors were also noted in the number of low income resident students and resident LEP not low income students reported on the Application for State School Aid.

Recommendation:

It is recommended that student enrollment data is accurately reflected on the Application for State School Aid.

Management Response:

Administration will ensure that the District student enrollment data is accurately reported on the Application for State School Aid.

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

WATCHUNG BOROUGH SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

Pupil Transportation:

Our audit procedures included a test of on-roll status reported in the 2018-2019 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures 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. No exceptions were noted in our review of transportation related purchases of goods and services.

Travel Expense and Reimbursement Policy

Travel regulations require each District to adopt a formal policy and procedure pertaining to travel and travel expense reimbursement for its employees and board members. The regulations require the District to establish a maximum travel amount for the year and to account for these expenses within a separate account in the budget to ensure that the maximum is not exceeded. The regulations also require that all travel be approved by the Board prior to the event and that the approval list the event, total event cost and the individuals attending. Employees and board members attending an event are then required to complete a post event report to be submitted to a designated person within the District.

During our testing of the District's travel expenditures, we noted the following.

Finding:

Prior Board approval and post event reports were not obtained for three of four travel reimbursement expenditures tested.

Recommendation:

It is recommended that prior Board approval and post event reports for travel events be obtained as per State travel regulations.

Management Response:

Administration will ensure that prior Board approval and post event reports for travel events will be obtained in order to ensure compliance with State travel regulations.

Testing for Lead of All Drinking Water in Educational Facilities

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

WATCHUNG BOROUGH SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE  
AND PERFORMANCE  
FISCAL YEAR ENDED JUNE 30, 2019  
(Continued)

Management Suggestions

Payroll Agency Activity Summary

During our review of the Payroll Agency bank account activity it was noted that a summary of Payroll Agency deposits, payment and balances owed to various agencies is not prepared. It is suggested that a summary of Payroll Agency bank account deposits, payments and balances owed to various agencies is prepared on a monthly basis.

New Jersey Earned Sick Leave Law

The New Jersey Earned Sick Leave Law was effective October 29, 2018. This law allows employees to accrue 1 hour of earned sick leave for every 30 hours worked, up to 40 hours each calendar year. We suggest that Districts perform a review each year to determine if there are any employees not previously eligible to receive earned sick leave who are now entitled to under this law and that adequate records are maintained for the accrual of the earned sick leave.

Governmental Accounting Standards Board (GASB) Statements

The next GASB Statement which will have an impact on the District's financial statements is GASB Statement No. 84, *Fiduciary Activities*, which is effective for the fiscal year ended June 30, 2020. This Statement establishes criteria for identifying fiduciary activities. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The Statement will likely have an impact on the financial statement presentation of the Payroll Agency Fund and may have an impact on the presentation of the Student Activities Agency Fund and Trust Funds such as the Private Purpose Scholarship Trust and Unemployment Trust Fund.

Status of Prior Year's Findings/Recommendations

The District prior year recommendations with regard to Student Body Activities deposits and enrollment reported on the District Report of Transported Students have been resolved. The District prior year recommendations with regard to reconciling items on the General Fund bank reconciliation and Treasurer's Report adjustments have been partially resolved. The prior year recommendations with regard to School Food Service Net Cash Resources and the Application for State School Aid have not been resolved and are included as current year recommendations.

WATCHUNG BOROUGH SCHOOL DISTRICT  
SCHEDULE OF MILK COUNT ACTIVITY  
FOOD SERVICE FUND  
NUMBER OF MILKS SERVED  
ENTERPRISE FUND  
FISCAL YEAR ENDED JUNE 30, 2019  
(MEMORANDUM ONLY)

NOT APPLICABLE

WATCHUNG BOROUGH SCHOOL DISTRICT  
SCHEDULE OF NET CASH RESOURCES  
FOOD SERVICE FUND  
ENTERPRISE FUND  
FISCAL YEAR ENDED JUNE 30, 2019  
(MEMORANDUM ONLY)

NOT APPLICABLE

WATCHUNG BOROUGH SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2018

	2019-2020 Application for State School Aid						Sample for Verification					
	Reported on		Reported on		Errors		Sample		Verified per		Errors per	
	On Roll	Shared	On Roll	Shared	Full	Shared	Workpapers	Selected from	On Roll	Shared	Full	Shared
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Half Day Preschool 3 Years Old	4		4				4		4			
Half Day Preschool 4 Years Old	3		3				3		3			
Full Day Preschool 3 Years Old	1		1				1		1			
Full Day Preschool 4 Years Old	2		2				2		2			
Full Day Kindergarten	62		62				62		62			
Grade One	57		57				57		57			
Grade Two	62		62				62		62			
Grade Three	58		58				58		58			
Grade Four	53		53				53		53			
Grade Five	60		60				60		60			
Grade Six	76		77		1		77		77			
Grade Seven	57		57				57		57			
Grade Eight	53		53				53		53			
Subtotal	548		549		1		549		549			
Special Education:												
Elementary School	49		39		-10		5		5			
Middle School	44		44				5		5			
Subtotal	93		83		-10		10		10			
Totals	641	-0-	632	-0-	-9	-0-	559	-0-	559	-0-	-0-	-0-
Percentage Error					-1.40%	0.00%				0.00%	0.00%	0.00%

WATCHUNG BOROUGH SCHOOL DISTRICT  
 SCHEDULE OF AUDITED ENROLLMENT  
 APPLICATION FOR STATE SCHOOL AID SUMMARY  
 ENROLLMENT AS OF OCTOBER 15, 2018

	Private Schools for Disabled					Resident Low Income					
	Reported on ASOA Private Schools	Reported on Workpapers as Private Schools	Sample for Verification	Sample Verified	Sample Errors	Reported on ASOA as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Grade Two						1	1	-1			
Grade Three						1	1		1	1	
Grade Four						1	1		1	1	
Grade Eight						1		-1			
Subtotal						4	2	-2	2	2	
Special Education:											
Elementary School	4	4	2	2		2	2		1	1	
Middle School											
Subtotal	4	4	2	2		2	2		1	1	
Totals	4	4	2	2	-0-	6	4	-2	3	3	-0-
Percentage Error			0.00%		0.00%			-33.33%			0.00%



WATCHUNG BOROUGH SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2018

	Resident LEP Low Income					
	Reported on ASSA as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Test Scores Application and Register	Sample Errors
Grade Two	1	1		1	1	
Grade Four	1	1				
Subtotal	<u>2</u>	<u>2</u>		<u>1</u>	<u>1</u>	
Totals	<u>2</u>	<u>2</u>	<u>-0-</u>	<u>1</u>	<u>1</u>	<u>-0-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

WATCHUNG BOROUGH SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENT  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2018

	Resident LEP Not Low Income					
	Reported on ASSA as LEP Not Low Income	Reported on Workpapers as LEP Not Low Income	Errors	Sample Selected from Workpapers	Verified to Test Scores Application and Register	Sample Errors
Full Day Kindergarten	1	1		1	1	
Grade One	3	3		1	1	
Grade Three	1	1				
Grade Four	3	3				
Grade Five	1		(1)			
Grade Six	1		(1)			
Subtotal	<u>10</u>	<u>8</u>	<u>(2)</u>	<u>2</u>	<u>2</u>	
Special Education:						
Elementary School	1	1		1	1	
Subtotal	<u>1</u>	<u>1</u>		<u>1</u>	<u>1</u>	
Totals	<u><u>11</u></u>	<u><u>9</u></u>	<u><u>(2)</u></u>	<u><u>3</u></u>	<u><u>3</u></u>	<u><u>-0-</u></u>
Percentage Error			<u><u>-18.18%</u></u>			<u><u>0.00%</u></u>

WATCHUNG BOROUGH SCHOOL DISTRICT  
SCHEDULE OF AUDITED ENROLLMENTS  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2018

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	303	303		25	25	
Regular - Special Education	63	63		8	8	
AIL - Non Public	39	39		5	5	
Special Needs - Public	2	2		2	2	
Special Needs - Private	2	2		2	2	
Totals	409	409	-0-	42	42	-0-
Percentage Error			0.00%			0.00%
				Reported	Re- calculated	
Average Mileage - Regular Including Grade PK Students				3.6	3.6	
Average Mileage - Regular Excluding Grade PK Students				3.6	3.6	
Average Mileage - Special Education with Special Needs				13.7	13.7	

WATCHUNG BOROUGH SCHOOL DISTRICT  
EXCESS SURPLUS CALCULATION  
FISCAL YEAR ENDED JUNE 30, 2019

**EXCESS SURPLUS CALCULATION**

**REGULAR DISTRICT**

**SECTION 1**

**A. 2% Calculation of Excess Surplus**

2018-2019 Total General Fund Expenditures per the CAFR, Ex. C-1	<u>\$ 14,483,276</u> (B)	
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	<u>\$ -0-</u> (B1a)	
Transfer from Capital Reserve to Capital Projects Fund	<u>-0-</u> (B1b)	
Decreased by:		
On-Behalf TPAF Pension and Social Security	<u>\$ 1,732,030</u> (B2a)	
Assets Acquired Under Capital Leases	<u>\$ -0-</u> (B2b)	
Adjusted 18-19 General Fund Expenditures [(B)+(B1's)-(B2's)]	<u>\$ 12,751,246</u> (B3)	
2% of Adjusted 2018-19 General Fund Expenditures [(B3) times .02]	<u>\$ 255,025</u> (B4)	
Enter Greater of (B4) or \$250,000	<u>\$ 255,025</u> (B5)	
Increased by: Allowable Adjustment	<u>\$ 122,752</u> (K)	
Maximum Unassigned Fund Balance [(B5)+(K)]		<u>\$ 377,777</u> (M)

**SECTION 2**

Total General Fund - Fund Balances @ 6/30/19 (Per CAFR Budgetary Comparison Schedule C-1)	<u>\$ 2,531,708</u> (C)	
Decreased by:		
Year End Encumbrances	<u>\$ 36,962</u> (C1)	
Legally Restricted - Designated for Subsequent Year's Expenditures	<u>\$ -0-</u> (C2)	
Legally Restricted Excess Surplus -		
Designated for Subsequent Year's Expenditures	<u>\$ 243,851</u> (C3)	
Other Restricted Fund Balances	<u>\$ 1,668,033</u> (C4)	
Assigned - Designated for Subsequent Year's Expenditures	<u>\$ 49,800</u> (C5)	
Additional Assigned - Designated for Subsequent Year's Expenditures July 1, 2019 - August 1, 2019	<u>\$ -0-</u> (C6)	
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]		<u>\$ 533,062</u> (U1)

WATCHUNG BOROUGH SCHOOL DISTRICT  
EXCESS SURPLUS CALCULATION  
FISCAL YEAR ENDED JUNE 30, 2019

**SECTION 3**

Restricted Fund Balance - Excess Surplus [(U2)-(M)] IF NEGATIVE, ENTER -0- \$ 155,285 (E)

**Recapitulation of Excess Surplus as of June 30, 2019**

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures \$ 243,851 (C3)

Restricted Excess Surplus [(E)] \$ 155,285 (E)

Total [(C3)+(E)] \$ 399,136 (D)

**Detail of Allowable Adjustments**

Impact Aid \$ -0- (H)

Sale and Lease Back \$ -0- (I)

Extraordinary Aid \$ 111,442 (J1)

Additional Nonpublic School Transportation Aid \$ 11,310 (J2)

Total Adjustments ((H)+(I)+(J1)+(J2)) \$ 122,752 (K)

**Detail of Other Restricted Fund Balance**

Statutory restrictions:

Approved unspent separate proposal \$ -0-

Sale/lease-back reserve \$ -0-

Capital reserve \$ 1,668,033

Maintenance reserve \$ -0-

Tuition reserve \$ -0-

Other state/governmental mandated reserve \$ -0-

Total Other Restricted Fund Balance \$ 1,668,033 (C4)

WATCHUNG BOROUGH SCHOOL DISTRICT  
SUMMARY OF RECOMMENDATIONS  
FISCAL YEAR ENDED JUNE 30, 2019

It is recommended that:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

- a) All employees be paid in accordance with their approved contract.
- b) The District obtain County Superintendent approval for all required transfers as per State guidelines.
- c) The general ledger be properly maintained and cash balances per the District records be properly allocated on the Treasurer's Report.
- d) All necessary cash transfers be made to ensure interfund balances are cleared in a timely manner.
- e) All necessary adjustments to the Treasurer's Report be made for the Food Service Fund to ensure agreement with the District's records.

3. School Purchasing Program

None

4. School Food Service

The Food Service Fund net cash resources do not exceed three months average expenditures.

5. Student Body Activities

Receipt journals indicating the date of receipt are maintained for the Bayberry and Valley View student activity accounts.

6. Application for State School Aid

The District ensure that the enrollment is accurately reflected in the Application for State School Aid.

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

Prior Board approval and post event reports for travel events be obtained as per State travel regulations.

WATCHUNG BOROUGH SCHOOL DISTRICT  
SUMMARY OF RECOMMENDATIONS  
FISCAL YEAR ENDED JUNE 30, 2019

10. Status of Prior Year's Findings/Recommendations

The District prior year recommendations with regard to Student Body Activities deposits and enrollment reported on the District Report of Transported Students have been resolved. The District prior year recommendations with regard to reconciling items on the General Fund bank reconciliation and Treasurer's Report adjustments have been partially resolved. The prior year recommendations with regard to School Food Service Net Cash Resources and the Application for State School Aid have not been resolved and are included as current year recommendations.