

**AUDITORS' MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
SCHOOL DISTRICT OF THE
BOROUGH OF BUTLER
COUNTY OF MORRIS, NEW JERSEY
JUNE 30, 2020**

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

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

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REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Borough of Butler School District
County of Morris, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Borough of Butler School District in the County of Morris for the year ended June 30, 2020, and have issued our report thereon dated January 29, 2021.

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

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

Thomas M. Ferry

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

Wielkocz & Company, LLC

Wielkocz & Company, LLC
Certified Public Accountants

Newton, New Jersey

January 29, 2021



BOROUGH OF BUTLER SCHOOL DISTRICT

**ADMINISTRATIVE FINDINGS -FINANCIAL, COMPLIANCE AND PERFORMANCE
YEAR ENDED JUNE 30, 2020**

GENERAL COMMENTS

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 under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the District's Comprehensive Annual Financial Report ("CAFR").

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

<u>Name</u>	<u>Position</u>	<u>Amount</u>
James Kozimor	Treasurer of School Moneys	\$250,000
Dr. Patrick Tierney	Board Secretary/School Business Administrator	205,000

There is a faithful performance of duty coverage for government employees blanket bond in the amount of \$500,000 covering all other employees.

Tuition Charges

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

Financial Planning, Accounting and Reporting

Examination of Claims

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

Financial Planning, Accounting and Reporting (continued)

Payroll Account and Position Control Roster

The net salaries of all employees of the Board were deposited in the Payroll Account. Employees' payroll deductions and employer's share of fringe benefits were deposited in the Payroll Agency Account.

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

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

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

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

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

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30th for goods not yet received or services yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserves for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for priority and to determine that goods were received and services were rendered as of June 30.

Classification of Expenditures - General and Administrative

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C.* 6A:23A-16.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classification to determine overall reliability and compliance with *N.J.A.C.* 6A:23A-8.3. As a result of the procedures performed, no transaction errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Financial Planning, Accounting and Reporting (continued)

Board Secretary's Records

The Board Secretary's records were found to be in good condition.

Treasurer's Records

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

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

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

The study of compliance for E.S.E.A. indicated that there were no areas of noncompliance and/or questionable costs.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

Our audit of the federal and state funds on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

T.P.A.F. Reimbursement

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

Financial Planning, Accounting and Reporting (continued)

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the school district to reimburse the State for the TPAF/FICA payments be made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

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

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

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

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

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

School Purchasing Programs (continued)

Contracts and Agreements Requiring Advertisement for Bids (continued)

The results of our examination indicated that no individual payments, contracts, or agreements were made “for the performance of any work or the furnishing or hiring of any materials or supplies,” in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4, amended.

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

School Food Service

COVID-19 Emergency

In accordance with the Governor's Declaration of Emergency pertaining to the COVID-19 virus, all Public, Charter, Non-Public schools were ordered to close effective as of March 18, 2020 for an undetermined period to limit the spread of the virus. As a result, School Food Authorities (SFA) were required to institute alternative procedures to provide meals to Free and Reduced Price eligible students during the period of school closures.

Therefore, SFAs were authorized to solicit and award emergency noncompetitive procurements and contracts with Food Service Management Companies in accordance with 2 CFR 200.320 and N.J.S.A. 18A:18A-7. The SFAs were also authorized to submit contract modifications to their existing Cost Reimbursable or Fixed Price contracts as necessary to ensure the feeding of Free and Reduced Price meal eligible students.

SFAs were notified of the requirement to maintain and report separate meal count records and financial records of all applicable costs incurred in providing meals to all Free and Reduced Price meal eligible students during the emergency.

The school food service program was not selected as a major federal and/or state program. However, the program expenditures exceeded \$100,000 in federal and/or state support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA’s expenditures of school food service revenues were limited to allowable direct and indirect costs. 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.

School Food Service (continued)

The financial transactions and statistical records of the school food services were maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

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

The District utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. Provisions of the FSMC contract/addendum were reviewed and audited.

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

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service.

Net cash resources did not exceed three months average expenditures.

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

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner.

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

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

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

School Food Service (continued)

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

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

Finding 2020-01:

In multiple cases, meals served per the edit check worksheets did not agree to meals claimed for federal and state reimbursement.

Recommendation:

That steps be taken to ensure meals claimed for reimbursement agree with meals actually served.

Management Response:

Business Administrator will work more closely with the food service management company. The food service management company and management will review the worksheets prior to submittal.

Finding 2020-02:

In multiple cases, students' free and reduced lunch application did not support their classification in the food service program.

Recommendation:

That steps be taken to ensure that all students are classified in accordance with their most-recent free and reduced lunch application and that all applications be available for review.

Management Response:

Business Administrator will meet with the BA Secretary to review the proper protocols to ensure that all steps are classified in accordance with the most-recent free and reduced lunch application and that all applications be available for review.

Student Activity Fund

Cash receipts and disbursement records were maintained in good order.

Application for State School Aid

Our audit procedures included a test of information reported in the October 13, 2019 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low-income, and bilingual. We also performed a review of the District's procedures related to its completion. The information on the A.S.S.A. was compared to the District's 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.

Application for State School Aid (continued)

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.

Finding 2020-03:

In our review of special education students on-roll, one (1) student was found to have no active IEP in place as of October 15, 2019.

Recommendation:

That all students classified as special education on the A.S.S.A., have an approved IEP.

Management Response:

All students classified as special education on the A.S.S.A., will have an approved IEP.

Finding 2020-04:

In our review of students on-roll per the A.S.S.A., various classification errors were noted.

Recommendation:

That the A.S.S.A. agree with student registers as of the October 15th cutoff.

Management Response:

The A.S.S.A. will agree with student registers as of the October 15th cutoff.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2019-20 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.

Facilities and Capital Assets

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

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

Facilities and Capital Assets (continued)

Our procedures included a review of the SDA grant agreements, if any, for consistency with recording SDA revenue, transfer of local funds from the general fund, and awarding of contracts for eligible facilities construction.

Testing for Lead of All Drinking Water in Educational Facilities

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

Follow-up on Prior Years' Findings

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

Acknowledgment

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

Respectfully submitted,

Thomas M. Ferry

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

Wielkocz & Company, LLC

Wielkocz & Company, LLC
Certified Public Accountants

SCHEDULE OF MEAL COUNT ACTIVITY

SCHOOL DISTRICT OF THE BOROUGH OF BUTLER
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM - FEDERAL
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Application Error (1)</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Under Claim</u>
National School Lunch (Regular Rate)	Paid	34,967.00	1,277	1,269	(117)	(125)	0.32	(40.00)
	Reduced	3,286.00	115	115	(585)	(585)	3.01	(1,760.85)
	Free	19,179.00	642	642	702	702	3.41	2,393.82
	Total	57,432	2,034	2,026	-	(8)		592.97
School Breakfast (Regular Rate)	Paid	2,404.00	76	76	-	-	0.31	-
	Reduced	901.00	25	25	-	-	1.54	-
	Free	7,506.00	255	255	-	-	1.84	-
	Total	10,811	356	356	-	-		-
Total Net (Over) / Under Claim								\$ 592.97

(1) Five Students were categorized as free lunch but should have been reduced. One Student had no application for review. 117 days were used instead of 180 which represents the days up to March 18,2020.

SCHEDULE OF MEAL COUNT ACTIVITY

SCHOOL DISTRICT OF THE BOROUGH OF BUTLER
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM - STATE
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Application Error (1)</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Under Claim</u>
National School Lunch (Regular Rate)	Paid	34,967	1,277	1,269	(117)	(125)	0.050	(6.25)
	Reduced	3,286	115	115	(585)	(585)	0.055	(32.18)
	Free	19,179	642	642	702	702	0.055	38.61
	Total	57,432	2,034	2,026		(8)		0.19

Total Net (Over) / Under Claim \$ 0.19

(1) Five Students were categorized as free lunch but should have been reduced. One Student had no application for review 117 days were used instead of 180 which represents the days up to March 18,2020.

SCHEDULE OF AUDITED ENROLLMENTS

**BUTLER SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019**

	2020-2021 Application for State School Aid						Sample for Verification						Private Schools for Disabled						
	Reported on A.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Registrars On Roll		Errors per Registrars On Roll		Reported on A.S.A. as Private Schools		Sample Verification		Sample Errors		
	Full	Shared	Full	Shared	Full	Shared	Full	Share	Full	Shared	Full	Shared	Full	Share	Full	Share	Full	Share	
Full Day Kindergarten	67		67				67		67										
One	62		62				62		62										
Two	63		63				63		63										
Three	56		56				56		56										
Four	47		47				47		47										
Five	62		62				62		62										
Six	58		58				58		58										
Seven	71		71				71		71										
Eight	59		59				59		59										
Nine	73		73				73		73										
Ten	78		76		2		76		76										
Eleven	95	7	95				95	7	95	7									
Twelve	98	8	98				98	8	98	8									
Subtotal	889	15	887	0	2	0	887	15	887	15	0	0	0	0	0	0	0	0	0
Special Ed - Elementary	95		95				54		54					4	4	4	4	4	4
Special Ed - Middle School	45		45				26		26					4	4	3	3	3	3
Special Ed - High School	106	9	106	8	1	1	60	7	60	7				9.5	8	7	8	7	1
Subtotal	246	9	246	8	0	1	140	7	140	7	0	0	0	17.5	15	14	14	14	1
Total	1,135	24	1,133	8	2	1	1,027	22	1,027	22	0	0	0	17.5	15	14	14	14	1
Percent Error					0.18%	4.17%					0.00%	0.00%							7.14%

SCHEDULE OF AUDITED ENROLLMENTS

**BUTLER SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019**

Enrollment Category	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on ASSA as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Error	Reported on ASSA as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Error
Full Day Kindergarten	14	14		8	7	1	3	3		3	2	1
One	14	14		8	8		6	6		5	5	
Two	23	23		13	12	1	10	10		9	9	
Three	17	16	1	10	10		3	3		3	3	
Four	17	16	1	10	10		5	5		4	4	
Five	16	16		9	9		1	1		1	1	
Six	12	12		7	7		1	1		1	1	
Seven	14	14		8	8							
Eight	12	12		7	7							
Nine	10	10		6	6							
Ten	10	10		6	6		1	1		1	1	
Eleven	6.0	6.0		3	3		1	1		1	1	
Twelve	10	10		6	6							
Subtotal	175	173	2	101	99	2	31	31		28	27	1
Special Ed - Elementary	31	30	1	17	16	1	4	2		1	1	
Special Ed - Middle School	11	11		6	6							
Special Ed - High School	18.5	20.5	(2)	10	8	2						
Subtotal	60.5	61.5	(1)	33	30	3	4	2		1	1	
Total	235.5	234.5	1	134	129	5	35	33		29	28	1
Percent Error			0.42%			3.73%						5.71%
												3.45%

SCHEDULE OF AUDITED ENROLLMENTS

**BUTLER SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019**

Enrollment Category	Resident LEP NOT Low Income			Sample for Verification		
	Reported on ASSA as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Error
Full Day Kindergarten	1	1		1	1	
One	5	5		4	4	
Two	3	4	(1)	3	3	
Three						
Four						
Five						
Six	3	3		3	3	
Seven	1	1		1	1	
Eight						
Nine	4	4		3	3	
Ten	2	3	(1)	3	3	
Eleven	2	2		1	1	
Twelve	1	1		1	1	
Subtotal	22	24	(2)	20	20	0
Special Ed - Elementary						
Special Ed - Middle School	1	1		1		
Special Ed - High School						
Subtotal	1	1	0	1	0	0
Total	23	25	(2)	21	20	0
Percent Error			<u>-8.70%</u>			<u>0.00%</u>
Regular - Public Schools, col. 1	Reported on DRTRS by DOE/county 47	Reported on DRTRS by District 47	Errors 41	Tested 41	Verified 41	Errors
Regular - SpEd, col. 4	7.5	7.5	7	7	7	
Transported - Non-Public, col. 2						
Special Ed Spec, col. 6	56.5	56.5	43	43	43	
Totals	111	111	0	91	91	0
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

EXCESS SURPLUS CALCULATION -

REGULAR DISTRICTS/CHARTER SCHOOL/RENAISSANCE SCHOOL PROJECT

SECTION 1

A. 2% Calculation of Excess Surplus

2019-20 Total General Fund Expenditures per the CAFR, Ex.C-1	\$	<u>26,506,091</u>	(B)
Increased by:			
Transfer from Capital Outlay to Capital Projects Fund	\$	<u>-</u>	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$	<u>-</u>	(B1b)
Transfer from General Fund to SRF for PreK-Regular	\$	<u>-</u>	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$	<u>-</u>	(B1d)
Decreased by:			
On-Behalf TPAF Pension & Social Security	\$	<u>3,477,628</u>	(B2a)
Assets Acquired Under Capital Leases	\$	<u>-</u>	(B2b)
Adjusted 2019-20 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$	<u>23,028,463</u>	(B3)
2% of Adjusted 2019-20 General Fund Expenditures [(B3) times .02]	\$	<u>460,569</u>	(B4)
Enter Greater of (B4) or \$250,000	\$	<u>460,569</u>	(B5)
Increased by: Allowable Adjustment *	\$	<u>146,522</u>	(K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$	<u><u>607,091</u></u>	(M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-20 (Per CAFR Budgetary Comparison Schedule C-1)	\$	<u>6,988,343</u>	(C)
Decreased by:			
Year-end Encumbrances	\$	<u>67,975</u>	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$	<u>-</u>	(C2)
Legally Restricted Excess Surplus - Designated for Subsequent Year's Expenditures **	\$	<u>1,305,544</u>	(C3)
Other Restricted Fund Balances****	\$	<u>3,104,501</u>	(C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$	<u>296,329</u>	(C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$	<u><u>2,213,995</u></u>	(U1)

SECTION 3

Restricted Fund Balance - Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0-	\$	<u><u>1,606,904</u></u>	(E)
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Recapitulation of Excess Surplus as of June 30, 2020

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	\$	<u>1,305,544</u>	(C3)
Reserved Excess Surplus ***[(E)]	\$	<u>1,606,904</u>	(E)
Total Excess Surplus [(C3) + (E)]	\$	<u><u>2,912,448</u></u>	(D)

Footnotes:

- * Allowable adjustment to expenditures on line K must be detailed as follows. This adjustment line (as detailed below) is to be utilized when applicable for:
- (H) Federal Impact Aid. The passage of P.L. 2015, c.46 amended N.J.S.A. 18A: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

Impact Aid		\$	<u>-</u>	(H)
Sale & Lease-back		\$	<u>-</u>	(I)
Extraordinary Aid		\$	<u>146,522</u>	(J1)
Additional Nonpublic School Transportation Aid		\$	<u>-</u>	(J2)
Current Year School Bus Advertising Revenue Recognized		\$	<u>.</u>	(J3)
Family Crises Transportation Aid		\$	<u>-</u>	(J4)
Total Adjustments [(H)+ (I)+(J1)+(J2)+(J3)+(J4)]		\$	<u><u>146,522</u></u>	(K)

- ** This amount represents the June 30, 2020 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.
- *** Amount must agree to the June 30, 2020 CAFR and must agree to Audit Summary Worksheet Line 90030.
- **** Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by another type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Administration and Finance prior to September 30.

Detail of Other Restricted Fund Balance

Statutory restrictions:

Approved unspent separate proposal	\$	-
Sale/Lease-back reserve	\$	-
Capital reserve	\$	2,204,501
Maintenance reserve	\$	900,000
Emergency reserve	\$	-
Tuition reserve	\$	-
School Bus Advertising 50% Fuel Offset Reserve-Current Year	\$	-
School Bus Advertising 50% Fuel Offset Reserve-Prior Year	\$	-
Impact Aid General Fund Reserve (Sections 8002 and 8003)	\$	-
Impact Aid General Fund Reserve (Sections 8007 and 8008)	\$	-
Other state/government mandated reserve	\$	-
[Other Restricted Fund Balance not noted above]****	\$	-
Total Other Restricted Fund Balance	\$	3,104,501 (C4)

**BOROUGH OF BUTLER
BOARD OF EDUCATION**

**AUDIT FINDINGS & RECOMMENDATIONS SUMMARY
OR THE FISCAL YEAR ENDED JUNE 30, 2020**

RECOMMENDATIONS:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

None

3. School Purchasing Programs

None

4. School Food Service

Finding 2020-01:

In multiple cases, meals served per the edit check worksheets did not agree with meals claimed for federal and state reimbursement.

Recommendation:

That steps be taken to ensure meals claimed for reimbursement agree with meals actually served.

Finding 2020-02:

In multiple cases, students' free and reduced lunch application did not support their classification in the food service program.

Recommendation:

That steps be taken to ensure that all students are classified in accordance with their most-recent free and reduced lunch application and that all applications be available for review.

5. Student Activity Fund

None

**BOROUGH OF BUTLER
BOARD OF EDUCATION**

**AUDIT FINDINGS & RECOMMENDATIONS SUMMARY
OR THE FISCAL YEAR ENDED JUNE 30, 2020
(CONTINUED)**

6. Application for State School Aid

Finding 2020-03:

In our review of special education students on-roll, one (1) student was found to have no active IEP in place as of October 15, 2019.

Recommendation:

That all students classified as special education on the A.S.S.A. have an approved IEP.

Finding 2020-04:

In our review of students on-roll per the A.S.S.A., various classification errors were noted.

Recommendation:

That the A.S.S.A. agree with student registers as of the October 15 cutoff.

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Follow-up on Prior Year Findings

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