



***TOWNSHIP OF EDISON  
SCHOOL DISTRICT  
COUNTY OF MIDDLESEX, NEW JERSEY***

***AUDITORS MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS –  
FINANCIAL, COMPLIANCE AND PERFORMANCE  
FOR THE FISCAL YEAR ENDED  
JUNE 30, 2020***

**HODULIK & MORRISON, P.A.**

A division of  **PKF  
O'CONNOR  
DAVIES**  
ACCOUNTANTS AND ADVISORS

**EDISON SCHOOL DISTRICT**  
**MIDDLESEX COUNTY, NEW JERSEY**

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

**TABLE OF CONTENTS**

	<b><u>PAGE</u></b>
Independent Auditors' Report	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	3
Payroll Account	3
Reserve for Encumbrances and Accounts Payable	3
Classification of Expenditures	3
Board Secretary's Records	3
Fixed Asset Reporting System	4
General Ledger and Trial Balances	4
Worker's Compensation Internal Service Fund	4
Elementary and Secondary Education Act (E.S.E.A) as amended by the Every Student Succeeds Act (ESSA)	4
Other Special Federal and/or State Projects	4
T.P.A.F. Reimbursement	5
School Purchasing Programs	
Contracts and Agreements Requiring Advertisement for Bids	5
School Food Service Fund	7
Student Activity and Athletic Funds	8
Application for State School Aid	8
Pupil Transportation	9
Grant Administration	9
Testing for Lead of All Drinking Water in Educational Facilities	10
Internal Control Documentation	10
Information Technology	10
Follow-up on Prior Year's Findings	10
Acknowledgment	11
Schedule of Meal Count Activity	12
Net Cash Resource Schedule	14
Schedule of Audited Enrollments	15
Excess Surplus Calculation	18
Audit Recommendations Summary	21

**HODULIK & MORRISON, P.A.**

A division of



INDEPENDENT AUDITORS' REPORT

Honorable President and  
Members of the Board of Education  
Township of Edison School District  
Middlesex County  
Edison, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey, the basic financial statements of the Board of Education of the Township of Edison School District in the County of Middlesex for the year ended June 30, 2020, and have issued our report thereon dated February 4, 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 Township of Edison 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.

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

Andrew G. Hodulik  
Certified Public Accountant  
Public School Accountant #841

February 4, 2021  
Cranford, New Jersey

ADMINISTRATIVE FINDINGS  
FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING

Scope of Audit

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

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

ADMINISTRATIVE PRACTICES AND PROCEDURES

Insurance

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

Official Bonds

The following positions were covered by Surety Bonds:

Daniel P. Michaud, Business Administrator/ Board Secretary	\$850,000.00
Tia Patterson, Acting Assistant Business Administrator	850,000.00
Faithful Performance Blanket Position Coverage	500,000.00

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. Differences in the actual costs as certified by the Department of Education pursuant to the provisions of N.J.A.C. 6A:23-3.1, from estimated costs billed by the Board during the period were negligible. The Board made adjustments to the billings of sending districts for the adjustment in per pupil costs in accordance with N.J.A.C. 6A:23-3.1(f)3.

## FINANCIAL PLANNING, ACCOUNTING AND REPORTING

### Examination of Claims

An examination of claims paid during the period under review was performed. No exceptions of substance were noted with respect to the processing of vouchers for those items tested. However, for items tested, two (2) exceptions were noted with respect to the purchase order being created subsequent to the date of the invoice. We suggest that efforts be maintained to avoid the use of confirming orders.

### Payroll Account

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

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 remitted to the proper agencies, but such remittances were not always on a timely basis. Remittances included health benefits premium amounts withheld due to the general fund.

It was noted that bank reconciliations for payroll and agency accounts were not performed in a timely manner. In addition, in what appears to be due to of the turnover of personnel, the depositing of payroll taxes were not always performed in accordance with the required schedule. As a result, deficiency notices of significant amounts were issued to the District.

#### Recommendation:

Payroll and payroll agency bank reconciliations should be performed and reviewed in a timely manner and the depositing of payroll taxes should be made in accordance with the required schedules.

### Reserve for Encumbrances and Accounts Payable

A review of outstanding purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable.

### Classification of Expenditures

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

### Board Secretary's Records

The review of the financial and accounting records maintained by the District was completed.

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

### Fixed Asset Reporting System

The District had a third-party inventory company review and update the fixed asset report for the June 30, 2020 year end.

### General Ledger and Trial Balances

Reclassifications were required for certain items that were misposted to the general ledger, which had the effect of requiring adjustments to the District's trial balances to allow for the preparation of the financial statements. We suggest all items be properly classified in the postings to the general ledger and that the budgetary-basis trial balances be maintained complete in all respects.

#### Recommendation:

Postings to the general ledger should be made accurately and budgetary-basis trial balances should be maintained complete in all respects.

### Workers Compensation Internal Service Fund

As disclosed in the Notes to Financial Statements contained in the Board's CAFR, the Board maintains a self-insurance fund for its compensation claims prior to July 1, 2011. The Board has recorded in full its estimated liability for reported claims at June 30, 2020 in the amount of \$200,000 within the estimated liability reserve. The District has converted its Workers' Compensation coverage to a traditional risk transfer premium program beginning July 1, 2011.

### 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 CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and VI of the Elementary and Secondary School Improvement Act, as amended and reauthorized.

The study of compliance for E.S.E.A. indicated there are 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.

The examination 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.

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

### Other Special Federal and/or State Projects

The District advances funds to the Middlesex County Educational Services Commission prior to the actual expenditure of funds by the Commission on behalf of the District. As a result, often times this causes the Commission to owe funds back to the District at the close of the year for funds that were advanced but not expended. We suggest the District remit grant funds received to the Commission upon the actual expenditure of funds by the Commission on behalf of the District and the invoicing of same by the Commission to the District.

As required by the N.J. State Department of Education, based upon federal reporting requirements, the District submits expenditure reporting to the State of New Jersey, which reporting differs in timing from the District's financial statement reporting period. No reconciliation is provided to agree these grant expenditure reports to the expenditure activity incurred during the District's fiscal year. We suggest the District perform reconciliations to agree the required grant expenditure reporting to the District's expenditures that are incurred during the fiscal year under review.

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 reimbursement forms filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted for items tested. Additionally, reimbursement to the State for TPAF/FICA payments was made timely.

## SCHOOL PURCHASING PROGRAMS

### Contracts and Agreements Requiring Advertisement for Bids

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

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

## SCHOOL PURCHASING PROGRAMS (Cont'd.)

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

"b. Commencing in the fifth year after the year in which P.L. 1999. c.440 takes effect, and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the board of education is permitted to establish as set forth in subsection a. of this section to the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S. 18A:18A-2, and shall round the adjustment to the nearest \$1,000. The Governor shall notify all local school districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1, of the year in which it is made."

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

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

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

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

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.

The results of the 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, as amended.

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



## OTHER MATTERS

### School Food Service Fund

#### 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 alternate 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 financial transactions and statistical records of the school food services were reviewed and found to be maintained in satisfactory condition. The financial accounts and eligibility applications were reviewed on a test check basis.

Cash receipts and bank records were reviewed for timely deposit.

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

The district utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. Provisions of the FSMC contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will return a profit of at least \$500,000. The operating results provision has not been met by shortfall due to COVID 19 loss of revenue and expenses in the amount of \$128,317. No exceptions noted for items tested.

Expenses were separately recorded as food, labor, benefits and other costs. Vendor invoices were reviewed and costs verified. Inventory records were maintained current and properly applied in determining the cost of food and supplies used. No exceptions noted.

The cash disbursement records reflected expenditures for program and 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 exceeded three months average expenditures.

#### Recommendation:

Net cash resources should be reviewed on a timely basis and transfers should be performed when net cash resources exceed three months average expenditures.

## OTHER MATTERS (Cont'd.)

### School Food Service Fund (Cont'd.)

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Fund 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/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 is uniformly administered throughout the school system. The required verification policy procedures for free and reduced price applications were completed and available for review. No exceptions noted.

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

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

The school district did provide the detailed revenue and expenditure information necessary to execute the USDA mandated Non-Program Revenue Tool.

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

### Student Activity and Athletic Funds

The recordkeeping of the various student activities funds was reviewed for the current school year. The District has adopted a policy that outlines the acceptable procedures for the processing of expenses for the school principals. Minor exceptions were noted with respect to lack of supporting documentation for receipts. We suggest the District should continue to monitor the student activities funds for improvement in the quality of recordkeeping.

### Application for State School Aid

Audit procedures included a test of information reported in the October 15, 2019 Applications for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low income and bilingual. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers, with exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

## OTHER MATTERS (CONT'D.)

### Pupil Transportation

Our procedures included a test of on-roll status reported in the 2019-2020 year District Report of Resident Transported Students (DRTRS). The information included on the DRTRS was verified to the DRTRS Eligibility Summary Report with the following exceptions. 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.

During our review of the District's DRTRS, ten (10) Regular Public School students that were reported on the DRTRS were not included in the District's attendance records. Also, the District was unable to provide the required forms (B-6T, B-8T) for two (2) Aid in Lieu students.

#### Recommendation:

We suggest that the District strengthen procedures to ensure that all students reported on the DRTRS can be traced to the school attendance registers and that all required forms are properly retained.

### Grant Administration

During the school year, the District operated programs that were funded in whole or in part by state or federal grant awards. As part of the acceptance of these funds, the District is required to make assurances to the grantor agency that it will comply, in its general operations as well as in the operation of grant funded programs, with various laws and regulations. In addition, the individual grant contracts impose specific compliance requirements for the operations of each program. A finding noted with respect to the remittance of unused grant funds to the grantor agency upon the closeout of a grant is an example of compliance requirements. In addition, as with other local entities, due to weaknesses in the grant notification process followed by certain agencies that pass-through federal and state assistance to the District, the District does not always receive accurate and timely information with respect to grant funding sources, along with the relevant CFDA and account number information from its grantor agencies, which can inhibit the preparation of the schedules of financial assistance. Based upon the myriad compliance and reporting requirements for grant awards, the District should continue to develop sound administrative functions over grant programs.

The acceptance of grant funds also places additional requirements upon the District with respect to the District's system of internal controls. Based upon the matrix of requirements applicable to a specific grant, the District's internal controls are required to include systems and policies and procedures designed to ensure compliance with the applicable requirements. We suggest the District review all of the applicable grant requirements in conjunction with the District's system of internal controls in order to ensure the District's internal controls are functioning at the requisite levels to meet with the various compliance requirements.

## OTHER MATTERS (CONT'D.)

### Testing for Lead of All Drinking Water in Educational Facilities

The school district indicated adherence to the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities along with the submission of the annual Statement of Assurance to the Department of Education, pursuant to *N.J.A.C. 6A:26-12.4(g)*.

### Internal Control Documentation

In addition to internal control documentation as required by auditing standards, N.J.A.C. 6A:23A-6.5 through 6.13 set forth specific requirements with respect to internal control policies that are required to be in place.

The District has initiated the process of documenting its internal controls. This course of action should continue as a component of the District's internal controls and will also serve the purpose of meeting certain requirements as set forth by Statement on Auditing Standards Nos. 112 and 115. We suggest the District continue this process and also consider utilizing the framework established by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) for its documentation, which includes the five components of internal controls, as follows: Control Environment; Risk Assessment; Control Activities; Information and Communication; and Monitoring. In addition, we suggest the documentation should also include the internal controls that exist over grant compliance. As set forth in SAS 112, dependent upon the complexity of the entity's internal control systems, the lack of documentation can be considered a control or significant deficiency in the entity's internal controls.

### Information Technology

During our review of the District's information technology environment, it was indicated that the District has not performed a test restore with the accounting system. The District is in the process of implementing a new backup/restore solution. We suggest the District to monitor this process. In addition, as part of its overall risk management, the District reviews security measures in place relating to its Information Technology (IT). With the ever-increasing challenges relating to cybersecurity, each organization determines what particular assessment or combination of assessments best fits its information security strategy. We suggest management continue to assess risks related to cybersecurity along with the utilization of specialized assessments, which would also include a periodic reporting mechanism to those charged with governance.

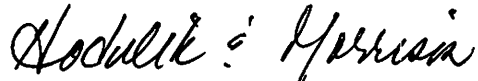
### Follow-up on Prior Year's Findings

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year's recommendations. Findings with respect to the timely reconciliation of payroll and payroll agency bank accounts and the tracing of students to the DRTRS and school attendance registers remain findings in the current period under review.

ACKNOWLEDGMENT

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

Respectfully submitted,



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



Andrew G. Hodulik  
Certified Public Accountant  
Public School Accountant #841

SCHEDULE OF MEAL COUNT ACTIVITY

EDISON BOARD OF EDUCATION  
FOOD SERVICE FUND  
NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM - FEDERAL  
ENTERPRISE FUND  
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>DIFFERENCE</u>	<u>RATE (a)</u>	<u>(OVER) UNDER CLAIM (b)</u>
National School Lunch (Regular Rate)	Paid	389,722	389,722	389,722	0	0.32	0.00
	Reduced	34,648	34,648	34,648	0	3.01	0.00
	Free	289,467	289,467	289,467	0	3.41	0.00
	<b>TOTAL</b>	<b>713,837</b>	<b>713,837</b>	<b>713,837</b>			<b>0.00</b>
National School Lunch	HHFKA - PB Lunch Only	713,837	713,837	713,837	0	0.07	0.00
School Breakfast (Regular Rate)	Paid	7,317	7,317	7,317	0	0.31	0.00
	Reduced	10,773	10,773	10,773	0	1.54	0.00
	Free	65,454	65,454	65,454	0	1.84	0.00
	<b>TOTAL</b>	<b>83,544</b>	<b>83,544</b>	<b>83,544</b>			<b>0.00</b>
School Breakfast (Severe Need Rate)	Paid	13,400	13,400	13,400	0	0.31	0.00
	Reduced	21,336	21,336	21,336	0	1.90	0.00
	Free	187,637	187,637	187,637	0	2.20	0.00
	<b>TOTAL</b>	<b>222,373</b>	<b>222,373</b>	<b>222,373</b>			<b>0.00</b>
<b>Total Net Overclaim</b>							<b>0.00</b>

Auditor Notation:

(a) Reimbursement rates are subject to annual change. Rates indicated in this sample schedule are for illustrative purposes only. Refer to the detailed schedule of reimbursement rates presented on page II-60.27 of this Audit Program. (b) Overclaims or underclaims must be reflected by program on the Schedule of Findings and Questioned Costs (where applicable) and in the AMR. (c) If underclaims are identified and total \$100.00 or more by program, please contact the DOA for requirements to request reimbursement from USDA. Underclaim requests may or may not be approved by USDA for reimbursement. (d) Child and Adult Care Food Program-(CACFP)-At-Risk Dinners

SCHEDULE OF MEAL COUNT ACTIVITY

EDISON BOARD OF EDUCATION  
FOOD SERVICE FUND  
NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM - STATE  
ENTERPRISE FUND  
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>DIFFERENCE</u>	<u>RATE (a)</u>	<u>(OVER) UNDER CLAIM (b)</u>
State Reimbursement - National School Lunch (Regular Rate)	Paid	389,722	389,722	389,722	0	0.050	0.00
	Reduced	34,648	34,648	34,648	0	0.055	0.00
	Free	289,467	289,467	289,467	0	0.055	0.00
	<b>TOTAL</b>	<u>713,837</u>	<u>713,837</u>	<u>713,837</u>			<u>0.00</u>
<b>Total Net Overclaim</b>							<u><u>0.00</u></u>

Auditor Notation:

(a) Reimbursement rates are subject to annual change. Rates indicated in this sample schedule are for illustrative purposes only. Refer to the detailed schedule of reimbursement rates presented on page II-60.27 of this Audit Program. (b) Overclaims or underclaims must be reflected by program on the Schedule of Findings and Questioned Costs (where applicable) and in the AMR. (c) State underclaims identified are not eligible for reimbursement.

**Edison Board of Education  
Net Cash Resource Schedule**

**Net cash resources did/did not exceed three months of expenditures  
Proprietary Funds - Food Service  
FYE 2020**

<u>Net Cash Resources:</u>			<b>Food Service B - 4/5</b>	
<b>CAFR</b>	*	<b>Current Assets</b>		
B-4		Cash & Cash Equiv.	\$ 7,541,933.39	
B-4		Due from Other Gov'ts	90,845.42	
B-4		Accounts Receivable		
B-4		Investments		
<b>CAFR</b>		<b>Current Liabilities</b>		
B-4		Less Accounts Payable		
B-4		Less Accruals		
B-4		Less Due to Other Funds	(5,845,003.72)	
B-4		Less Unearned Revenue	<u>(228,966.75)</u>	
		<b>Net Cash Resources</b>	<b><u>\$ 1,558,808.34</u></b>	<b>(A)</b>

**Net Adj. Total Operating Expense:**

B-5	Tot. Operating Exp.	\$ 4,030,581.84	
B-5	Less Depreciation	<u>(63,068.00)</u>	
	Adj. Tot. Oper. Exp.	<b><u>\$ 3,967,513.84</u></b>	<b>(B)</b>

**Average Monthly Operating Expense:**

B / 10	<b><u>\$ 396,751.38</u></b>	<b>(C)</b>
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**Three times monthly Average:**

3 X C	<b><u>\$ 1,190,254.15</u></b>	<b>(D)</b>
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TOTAL IN BOX A	\$ 1,558,808.34
LESS TOTAL IN BOX D	\$ (1,190,254.15)
<b>NET</b>	<b><u>\$ 368,554.19</u></b>

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.**

\* Inventories are not to be included in total current assets.

SOURCE - USDA resource management comprehensive review form



**SCHEDULE OF AUDITED ENROLLMENTS**

**EDISON TOWNSHIP BOARD OF EDUCATION  
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.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected From Workpapers		Verified per Registers On Roll		Errors		Reported on A.S.S.A. 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	51		51		0	0	5		5		0	0				
Full Day Preschool											0	0				
Half Day Kindergarten	829		829		0	0	18		18		0	0				
Full Day Kindergarten											0	0				
One	1,123		1,123		0	0	95		95		0	0				
Two	1,293		1,293		0	0	75		75		0	0				
Three	1,225		1,225		0	0	94		94		0	0				
Four	1,235		1,235		0	0	114		114		0	0				
Five	1,260		1,260		0	0	154		154		0	0				
Six	1,221		1,221		0	0	92		92		0	0				
Seven	1,267		1,267		0	0	308		308		0	0				
Eight	1,205		1,205		0	0	278		278		0	0				
Nine	1,104		1,104		0	0	267		267		0	0				
Ten	1,048		1,048		0	0	462		462		0	0				
Eleven	1,112		1,112		0	0	603		603		0	0				
Twelve	1,029		1,029		0	0	646		646		0	0				
							458		458		0	0				
Subtotals	15,002	0	15,002	0	0	0	3,669	0	3,669	0	0					
Special Ed - Elementary	802		802		0	0	54		54		0	0	11	8	8	0
Special Ed - Middle School	322		322		0	0	58		58		0	0	16.5	13	13	0
Special Ed - High School	389		389		0	0	251		251		0	0	43.5	33	33	0
Subtotals	1,513	0	1,513	0	0	0	363	0	363	0	0	0	71	54	54	0
Totals	16,515	0	16,515	0	0	0	4,032		4,032		0	0	71	54	54	0
Percentage Error					<u>0.00%</u>	<u>0.00%</u>					<u>0.00%</u>	<u>0.00%</u>				<u>0.00%</u>

**SCHEDULE OF AUDITED ENROLLMENTS**

**EDISON TOWNSHIP BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2019**

	<u>Resident Low Income</u>			<u>Sample for Verification</u>			<u>Resident LEP Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. As Low Income</u>	<u>Reported on Workpapers As Low Income</u>	<u>Errors</u>	<u>Sample Selected From Workpapers</u>	<u>Verified to Application And Register</u>	<u>Sample Errors</u>	<u>Reported on A.S.S.A. As Bilingual Education</u>	<u>Reported on Workpapers As Bilingual Education</u>	<u>Sample Errors</u>	<u>Sample Selected from Work papers</u>	<u>Verified to Test Score and Register</u>	<u>Sample Errors</u>
Pre K			0			0	9	9	0	0	0	0
Kindergarten	75	75	0	1	1	0	0	0	0	0	0	0
One	160	160	0	2	2	0	12	12	0	0	0	0
Two	214	214	0	3	3	0	7	7	0	0	0	0
Three	183	183	0	2	1	1	8	8	0	0	0	0
Four	201	201	0	2	2	0	7	7	0	0	0	0
Five	216	216	0	3	3	0	6	6	0	0	0	0
Six	252	252	0	3	3	0	9	9	0	0	0	0
Seven	251	251	0	3	3	0	10	10	0	0	0	0
Eight	223	223	0	3	2	1	7	7	0	0	0	0
Nine	227	227	0	3	3	0	17	18	-1	0	0	0
Ten	222	222	0	3	3	0	15	15	0	0	0	0
Eleven	244	244	0	3	3	0	11	11	0	0	0	0
Twelve	255	255	0	3	3	0	19	19	0	0	0	0
Subtotals	<u>2,723.0</u>	<u>2,723.0</u>	<u>0.0</u>	<u>34</u>	<u>32</u>	<u>2</u>	<u>137</u>	<u>138</u>	<u>-1</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sp Ed - Elementary	210	210	0	2	2	0	1	1	0	0	0	0
Sp Ed - Middle School	143	143	0	2	2	0	0	0	0	0	0	0
Sp Ed - High School	148	148	0	2	2	0	0	0	0	0	0	0
Subtotals	<u>501</u>	<u>501</u>	<u>0</u>	<u>6</u>	<u>6</u>	<u>0</u>	<u>1</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u>3,224.0</u>	<u>3,224.0</u>	<u>0.0</u>	<u>40</u>	<u>38</u>	<u>2</u>	<u>138</u>	<u>139</u>	<u>-1</u>	<u>0</u>	<u>0</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			<u>5.00%</u>			<u>-0.72%</u>			<u>0.00%</u>

	<u>Transportation</u>						<u>Reported</u>	<u>Recalculated</u>
	<u>Reported on DRTRS by DOE</u>	<u>Reported on DRTRS by District</u>	<u>Errors</u>	<u>Tested</u>	<u>Verified</u>	<u>Errors</u>		
Reg. - Public Schools	5458	5458	0	239	229	10	4.1	4.1
Reg. - Sp. Ed.	112	112	0	5	5	0	4.1	4.1
Transported - Non-Public	200	200	0	8	8	0	7.4	7.4
Sp. Ed. - Special Needs	700	700	0	31	31	0		
AIL	666	666	0	29	27	2		
Totals	<u>7136</u>	<u>7136</u>	<u>0</u>	<u>312</u>	<u>300</u>	<u>12</u>		
Percentage Error					<u>4.00%</u>			

Reg Avg.(Mileage) = Regular Including Grade PK students (Part A) 4.1 4.1  
 Reg Avg.(Mileage) = Regular Excluding Grade PK students (Part B) 4.1 4.1  
 Spec Avg. = Special Ed with Special Needs 7.4 7.4

**SCHEDULE OF AUDITED ENROLLMENTS**

**EDISON TOWNSHIP BOARD OF EDUCATION**  
**APPLICATION FOR STATE SCHOOL AID SUMMARY**  
**ENROLLMENT AS OF OCTOBER 15, 2019**

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. As Bilingual Education</u>	<u>Reported on Workpapers As Bilingual Education</u>	<u>Sample Errors</u>	<u>Sample Selected from Work papers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Pre K	65	65	0	0	0	0
Kindergarten	0	0	0	0	0	0
One	40	40	0	0	0	0
Two	27	27	0	0	0	0
Three	15	15	0	0	0	0
Four	22	22	0	0	0	0
Five	13	13	0	0	0	0
Six	18	18	0	0	0	0
Seven	17	17	0	0	0	0
Eight	13	13	0	0	0	0
Nine	14	13	1	0	0	0
Ten	15	15	0	0	0	0
Eleven	12	12	0	0	0	0
Twelve	12	12	0	0	0	0
Subtotals	<u>283</u>	<u>282</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>0</u>
Sp Ed - Elementary	4	4	0	0	0	0
Sp Ed - Middle School	0	0	0	0	0	0
Sp Ed - High School	5	5	0	0	0	0
Subtotals	<u>9</u>	<u>9</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Totals	<u><u>292</u></u>	<u><u>291</u></u>	<u><u>1</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>
Percentage Error			<u><u>0.34%</u></u>			<u><u>0.00%</u></u>

**Edison School District**  
**Middlesex County, New Jersey**

**EXCESS SURPLUS CALCULATION**

**YEAR ENDED JUNE 30, 2020**

**SECTION 1 - REGULAR DISTRICT**

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

2019-2020 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>288,633,347.85</u>	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	\$ _____	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____	(B1b)
Transfer from General Fund to SRF for PreK-Regular	\$ _____	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$ _____	(B1d)
Decreased by:		
On-Behalf TPAF Pension/Medical & Social Security	\$ <u>41,374,650.79</u>	(B2a)
Assets Acquired Under Capital Leases	\$ <u>217,308.86</u>	(B2b)
 Adjusted 2019-2020 General Fund Expenditures ((B)+(B1s)-(B2s))	 \$ <u><u>247,041,388.20</u></u>	 (B3)
 2% of Adjusted 2019-2020 General Fund Expenditures ((B3) times .02)	 \$ <u>4,940,827.76</u>	 (B4)
Enter Greater of (B4) or \$250,000	\$ <u>4,940,827.76</u>	(B5)
Increased by: Allowable Adjustment*	\$ <u>2,898,474.00</u>	(K)
 Maximum Unreserved/Undesignated Fund Balance ((B5)+(K))	 \$ <u><u>7,839,301.76</u></u>	 (M)

**SECTION 2**

Total General Fund - Fund Balances @ 6/30/20 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>34,035,967.99</u>	(C)
Decreased by:		
Reserve for Encumbrances	\$ _____	(C1)
Legally Restricted -Designated for Subsequent Year's Expenditures	\$ <u>698,831.46</u>	(C2)
Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ <u>8,804,613.54</u>	(C3)
Other Restricted Fund Balances****	\$ <u>11,343,381.26</u>	(C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ _____	(C5)
 Total Unassigned Fund Balance (( C)-(C1)-(C2)-(C3)-(C4)-(C5))	 \$ <u><u>13,189,141.73</u></u>	 (U1)

**SECTION 3**

Restricted Fund Balance-Excess Surplus \*\*\*((U1-(M)) If negative enter -0- \$ 5,349,839.97 (E)

**Recapitulation of Excess Surplus as of June 30, 2020**

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ <u>8,804,613.54</u> (C3)
Reserved Excess Surplus***(E)	\$ <u>5,349,839.97</u> (E)
Total Excess Surplus ((C3) +(E))	\$ <u><u>14,154,453.51</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, effective for the year ending June 30, 2020 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.

Notes to auditor: Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid, Family Crisis Transportation Aid, and Additional Nonpublic School Transportation Aid.

**Detail of Allowable Adjustments**

Impact Aid	\$ _____ (H)
Sale & Lease-back	\$ _____ (I)
Extraordinary Aid	\$ <u>2,871,687.00</u> (J1)
Additional Nonpublic School Transportation Aid	\$ <u>26,787.00</u> (J2)
Current Year School Bus Advertising Revenue Recognized	\$ _____ (J3)
Family Crisis Transportation Aid	\$ _____ (J4)
Total Adjustments ((H)+(I)+(J1)+(J2)+(J3)+(J4))	\$ <u><u>2,898,474.00</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 Line 90030.

\*\*\*\*Amount for Other Reserved Fund Balances must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by any other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

**Detail of Other Reserved Fund Balance**

Statutory restrictions:	
Approved unspent seperate proposal	\$ _____
Sale/lease-back reserve	\$ _____
Capital Reserve	\$ <u>9,579,016.75</u>
Maintenance Reserve	\$ <u>764,364.51</u>
Emergency Reserve	\$ <u>1,000,000.00</u>
Tuition Reserve	\$ _____
School Bus Advertsiiing 50% Fuel Offset Reserve - current year	\$ _____
School Bus Advertsiiing 50% Fuel Offset Reserve - prior year	\$ _____
Impact Aid General Fund Reserve (Sections 8002 and 8003)	\$ _____
Impact Aid Capital Fund Reserve (Sections 8007 and 8008)	\$ _____
Other state/government mandated reserve	\$ _____
(Other Reserved Fund Balance not noted above)****	\$ _____
 Total Other Reserved Fund Balance	 \$ <u>11,343,381.26</u> (C4)

EDISON TOWNSHIP SCHOOL DISTRICT  
AUDIT RECOMMENDATIONS SUMMARY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

Payroll and payroll agency bank reconciliations should be performed and reviewed in a timely manner and the depositing of payroll taxes should be made in accordance with the required schedules. Postings to the general ledger should be made accurately and budgetary-basis trial balances should be maintained complete in all respects.

3. School Purchasing Programs

None

4. School Food Service

Net cash resources should be reviewed on a timely basis and transfers performed when net cash resources exceed three months average expenditures.

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

Procedures should be strengthened to ensure that all students reported on the DRTRS can be traced to the school attendance registers and that all required forms are properly retained.

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

Corrective action was taken on the prior year's findings regarding grant expenditures reports. The prior year recommendations for the payroll/payroll agency bank reconciliations and DRTRS report student tracing remain for the current year.

EDISON TOWNSHIP SCHOOL DISTRICT  
AUDIT RECOMMENDATIONS SUMMARY  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Acknowledgement

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

Respectively submitted,

Hodulik & Morrison, P.A.  
A division of PKF O'Connor Davies  
Certified Public Accountants  
Registered Municipal Accountants  
Public School Accountants

Andrew G. Hodulik  
Certified Public Accountant  
Public School Accountant #841