



**MOUNTAINSIDE SCHOOL DISTRICT  
COUNTY OF UNION, NEW JERSEY**

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

**MOUNTAINSIDE SCHOOL DISTRICT  
UNION COUNTY, NEW JERSEY**

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

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## INDEPENDENT AUDITORS' REPORT

Honorable President and Members  
of the Board of Education  
Borough of Mountainside School District  
Union County, 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 Borough of Mountainside School District in the County of Union for the year ended June 30, 2020, and have issued our report thereon dated February 3, 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 Mountainside 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.

*PKF O'Connor Davies, LLP*

February 3, 2021  
Cranford, New Jersey

*David J. Gannon*

David J. Gannon  
Licensed Public School Accountant, No. 2305

ADMINISTRATIVE FINDINGS  
FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING

Scope of Audit

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

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

ADMINISTRATIVE PRACTICES AND PROCEDURES

Insurance

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

Official Bonds

The following positions were covered by Surety Bonds:

School Business Administrator/ Board Secretary	450,000.00
Treasurer of School Monies	210,000.00

The District has procured Blanket Dishonesty (Including Faithful performance) Bond coverage in the amount of \$500,000 for each loss.

Tuition Charges

The Mountainside Board of Education has entered into an agreement with the Berkeley Heights School District relating to tuition rates. The contract covers the period from the 2017-18 school year through the 2021-22 school year, using the state-certified 2019-20 rate with an annual 2% inflation factor applied to each contract year.

## ADMINISTRATIVE PRACTICES AND PROCEDURES

### Tuition Charges (Cont'd.)

A comparison of tentative tuition costs and actual certified tuition costs was made. Tuition charges for the fiscal years 2018-2019 and 2019-2020 were based on rates established by the terms of the sending/receiving agreement and utilized estimated student counts that were reflected actual 8<sup>th</sup> grade populations and historical public high school enrollment percentages for that cohort. Tuition adjustments will still occur, but will be the result of deviations from projected enrollments rather than fluctuations in tuition rates.

The District has established Tuition reserves which will be sufficient to fund any tuition adjustments without the need for any further mutually agreed deferred payment schedules.

## FINANCIAL PLANNING, ACCOUNTING AND REPORTING

### Examination of Claims

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

During the current period, the controls over the processing of disbursements were tested to assure that all requisite documentation and necessary approvals had been obtained prior to the placing of claims on bill lists for Board approval. No exceptions were noted. Audit tests of issued checks indicated that at least two authorized manual signatures were affixed to any disbursement check not previously approved by the Board of Education. Manual checks were minimal during the period under audit.

### 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.

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/School Business Administrator. Tests were made of these records with no exceptions noted.

Audit tests of the time and attendance records and personnel files indicated that District employees were paid at the proper rates and in the proper amounts. Audit tests also indicated that the District had procedures in place to ensure the timely enrollment of all employees who are entitled to membership in the state-sponsored pension systems, and tests of employees whose payroll records indicated that no pension deductions were being withheld indicated that the employee was not eligible in every instance. Tests of the payroll records also indicated that employee contributions for a share of the costs of their health benefits were withheld at the proper rates based upon the provisions of the governing statute and the terms of collective bargaining agreements.

## FINANCIAL PLANNING, ACCOUNTING AND REPORTING

### Payroll Account (Cont'd.)

As noted in prior reports, the District utilizes an external service organization for the processing of payrolls, and identified a significant component of the Mountainside School District's internal control function exercised by this service organization. In accordance with applicable auditing standards we requested a report from an independent accountant on the service organization's controls placed in operation and the results of tests (if any) of the operating effectiveness of the controls. In response, the District received such a report that identifies the service organization's controls and opines that such controls are suitably designed to achieve the specified control objectives and have been placed in operation as of June 30, 2020. The terms and conditions under which the District's payroll processing agency provided its services were formalized into a written contractual agreement which was presented to, and approved by the Board of Education.

### TPAF Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the District for employees being paid from federal funds was made timely. Our review of the reimbursement calculations revealed no exceptions.

### Reserve for Encumbrances, Liability (Current) for Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserves for encumbrances. The use of blanket orders during the school year included recurring costs such as energy and utilities. Other use of blanket orders were based on operating efficiencies, and controls over their utilization were good.

The budgetary accounting process and the records and reports generated by the accounting system continued to function as designed during the current period. Tests of the records indicated that expenditures/expenses were recorded in the appropriate accounting period and that all amounts payable at the close of the year based upon delivery of goods and/or performance of services had been charged against the current year budget appropriations.

### Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A: 23-2.2(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 classifications to determine overall reliability and compliance with N.J.A.C. 6A: 23-8.2. As a result of the procedures performed we found no discrepancies in the classification of expenditures and no additional procedures were deemed necessary to test the propriety of the expenditure classification.

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

### Travel

Tests were performed to determine the existence of required policy documents and the District's compliance with same with respect to the timely approval and appropriate reimbursement rates for approved travel. No exceptions were noted.

### Budgetary Transfers

During the current period, we noted a significant volume of budgetary transfers presented to the Board of Education for approval. Audit tests indicated that the need for these transfers was based upon the inability of the District to include contingency funds in its operating budgets. The budget spending variance in the 2019-2020 budget was once again favorable. The existing regulatory environment has effectively transformed the budget from a planning document into a legal spending limit. When unforeseen expenses or cost increases occur, management is required to "find" funds in other budget accounts to cover these contingencies and exigencies.

### Investment of Idle Funds

Interest earnings on general funds increased based upon the terms of the district's banking agreements. Exhibit J-5 provides a breakdown of the District's non-tax local revenues. During the year, it became necessary to transfer interest previously earned on the capital projects funds to the debt service fund to fund amounts anticipated as local revenues in the 2019-20 budget.

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

### Board Secretary's Records

The official minute record was awaiting binding during the period our audit was performed, and as such, was not in a condition that we would deem sufficient for a required permanent record. However, assuming that the minute records, including all attachments thereto, are ultimately bound into hard covered record books, they would meet all statutory requirements. A similar condition was noted during our previous examination, and the binding of those documents did occur during the current period.

The District reinstated the position of Treasurer for the 2017-18 school year, and timely and accurate monthly Treasurer's reports were on file in the office of the School Business Administrator.

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

The E.S.E.A./NCLB financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and IV of the Elementary and Secondary Education Act as amended and reauthorized. Additional federal funding was received for I.D.E.A. Part B Basic and Preschool programs.

### Other Special Federal and/or State Projects

The District's did not operate any State Special Projects during the 2019-2020 school year.

The financial exhibits are contained within the Special Revenue section of the CAFR, which documents the financial position pertaining to the aforementioned special projects on a grant accounting budgetary basis and reports the financial position of the fund on a GAAP basis at June 30, 2020.

### T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement forms filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted. The payroll software produces reports of T.P.A.F. employees and covered salaries, and calculates the amounts of reimbursements to be sought. Tests of these reports yielded no exceptions.

### SCHOOL PURCHASING PROGRAMS

#### Contracts and Agreements Requiring Advertisement for Bids

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

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

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

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



## SCHOOL PURCHASING PROGRAMS (CONT'D.)

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

Effective July 1, 2015 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 (as amended) and 18A:18A-3(a) are \$40,000.00 (with a Qualified Purchasing Agent) and \$29,000.00 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$19,000 for 2019-20.

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.

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

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

The system of records did not provide for an accumulation of purchases for which the school board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained.

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

### **Finding 2020-001**

#### ***Finding:***

During our testing of the local public contracts law, we noted one instance in which a purchase was made in excess of the quote threshold where evidence of obtaining two competitive quotes could not be provided. The purchase relates to a 2019 purchase order for which payment was made during the 2020 fiscal year. Some turnover has occurred in the Business Office making it difficult for current personnel to locate quotes for this 2019 fiscal year purchase.

## SCHOOL PURCHASING PROGRAMS (CONT'D.)

### ***Recommendation:***

Although new procedures have been implemented within the Business Office, standard operating procedures should be updated and followed by all staff to ensure documentation exists for obtaining competitive quotes where required.

### 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.

We also inquired of management about the emergency COVID-19 procedures/practices that the SFA instituted to provide meals to eligible students, maintenance of all applicable production records; meal counts; noncompetitive procurements; modification of existing contracts and applicable financial records to document the specific costs applicable to the emergency operations.

The Mountainside School District is a participant in the National School Lunch Program. The school food service program was not selected as a major federal or state program. Furthermore, the program expenditures did not exceed \$100,000 in federal support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the SFA had any Child Nutrition reimbursement overclaims or underclaims. No exceptions were noted.

Net cash resources did exceed three-months average expenses.

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

### Student Activity Funds

Our audit of the student activity funds indicated that voucher systems were in use, and sincere efforts were made to obtain vendor affidavits in instances where amounts disbursed exceeded \$150. Managerial oversight of fund treasurers to ensure timely cash reconciliations and financial reporting was noted. The following opportunity for improvement was noted:

#### **Finding 2020-002**

##### ***Finding:***

During our testing of the student activity cash receipts we noted three instances in which the supporting documentation for the cash receipt was missing. Therefore we were not able to conclude that the funds received and deposited agreed to appropriate supporting documentation.

##### ***Recommendation:***

We suggest that the District instruct all custodians of student activity funds to maintain appropriate documentation to substantiate all cash received and reported in the school's cash receipts ledger.

### Scholarship Funds

The District reported three scholarship funds in 2019-20. One is accounted for as a nonexpendable trust and two are accounted for as expendable trusts. The District has the requisite documentation on hand to substantiate the accounting treatment afforded each scholarship fund. Due to the declining interest rate structure, the expendable balance of the nonexpendable trust is less than the annual scholarship awards. This fund requires that a principal balance of \$100,000 be maintained, and in no circumstance should awards be made that reduce the balance below this amount without an agreement from the grantor to change the provisions of the trust. The District has ceased to award scholarships from this fund pending the reestablishment of the non-expendable trust corpus.

### Application for State School Aid (A.S.S.A.)

Our audit included a test of information reported in the October 15, 2019 Application for State School Aid (ASSA) for on-roll, private schools for the handicapped, low-income and bilingual. We also performed a review of District procedures relating to its completion. The information on the A.S.S.A. was compared to the district workpapers without exception. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms or their equivalent.

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

### Pupil Transportation

Our procedures included a test of on-roll status reported in the October 15, 2019 District Report of Resident Transported Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with no exceptions noted. The results of our procedures are presented in the Schedule of Audited Enrollments. Our procedures also included a review of transportation related contracts and purchases.

The minutes indicate Board approvals of transportation contracts with both public and private providers. Our tests of the individual route contracts, which are required to be prepared on a state mandated form and maintained on file, revealed no exceptions.

Transportation Aid was not tested as a major program for purposes of the State single audit and therefore limited procedures were performed over the DRTRS.

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

The school district adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

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

### 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.

**SCHEDULE OF AUDITED ENROLLMENTS**

**MOUNTAINSIDE BOROUGH 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.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	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool	17	-	17	-	-	-	17	-	17	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	74	-	74	-	-	-	74	-	74	-	-	-	-	-	-	-
One	85	-	85	-	-	-	85	-	85	-	-	-	-	-	-	-
Two	75	-	75	-	-	-	75	-	75	-	-	-	-	-	-	-
Three	74	-	74	-	-	-	74	-	74	-	-	-	-	-	-	-
Four	68	-	68	-	-	-	68	-	68	-	-	-	-	-	-	-
Five	60	-	60	-	-	-	60	-	60	-	-	-	-	-	-	-
Six	75	-	75	-	-	-	75	-	75	-	-	-	-	-	-	-
Seven	56	-	56	-	-	-	56	-	56	-	-	-	-	-	-	-
Eight	81	-	81	-	-	-	81	-	81	-	-	-	-	-	-	-
Nine	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Ten	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Eleven	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Twelve	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotals	665	-	665	-	-	-	665	-	665	-	-	-	-	-	-	-
Special Ed - Elementary	40	-	40	-	-	-	40	-	40	-	-	-	2	1	1	-
Special Ed - Middle School	41	-	41	-	-	-	41	-	41	-	-	-	1	-	-	-
Special Ed - High School	-	-	-	-	-	-	-	-	-	-	-	-	5	6	6	-
Subtotals	81	-	81	-	-	-	81	-	81	-	-	-	8	7	7	-
Totals	746	-	746	-	-	-	746	-	746	-	-	-	8	7	7	-
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**

**MOUNTAINSIDE BOROUGH SCHOOL DISTRICT  
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>		
	Reported on A.S.S.A. As Low <u>Income</u>	Reported on Workpapers As Low <u>Income</u>	<u>Errors</u>	Sample Selected From <u>Workpapers</u>	Verified to Application And <u>Register</u>	Sample <u>Errors</u>	Reported on A.S.S.A. As Bilingual <u>Education</u>	Reported on Workpapers As Bilingual <u>Education</u>	Sample <u>Errors</u>	Sample Selected from <u>Work papers</u>	Verified to Test Score and Register	Sample <u>Errors</u>
Pre K	-	-	-	-	-	-	-	-	-	-	-	-
Kindergarten	2	2	-	2	2	-	-	-	-	-	-	-
One	-	-	-	-	-	-	-	-	-	-	-	-
Two	4	4	-	3	3	-	-	-	-	-	-	-
Three	1	1	-	1	1	-	-	-	-	-	-	-
Four	2	2	-	2	2	-	-	-	-	-	-	-
Five	-	-	-	-	-	-	-	-	-	-	-	-
Six	2	2	-	2	2	-	-	-	-	-	-	-
Seven	1	1	-	1	1	-	-	-	-	-	-	-
Eight	5	5	-	5	5	-	-	-	-	-	-	-
Nine	-	-	-	-	-	-	-	-	-	-	-	-
Ten	-	-	-	-	-	-	-	-	-	-	-	-
Eleven	-	-	-	-	-	-	-	-	-	-	-	-
Twelve	-	-	-	-	-	-	-	-	-	-	-	-
Subtotals	<u>17</u>	<u>17</u>	<u>-</u>	<u>16</u>	<u>16</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Sp Ed - Elementary	-	-	-	-	-	-	-	-	-	-	-	-
Sp Ed - Middle School	1	1	-	1	1	-	-	-	-	-	-	-
Sp Ed - High School	-	-	-	-	-	-	-	-	-	-	-	-
Subtotals	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>18</u>	<u>18</u>	<u>-</u>	<u>17</u>	<u>17</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

	<u>Transportation</u>						Reported	Recalculated
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors		
Reg. - Public Schools	370	370	-	-	-	-	4.4	4.4
Reg. - Sp. Ed.	49	49	-	-	-	-	11.8	11.8
Transported - Non-Public	3	3	-	-	-	-	11.8	11.8
AIL Non-Public	79	79	-	-	-	-		
Sepec. Special Needs	11	11	-	-	-	-		
Totals	<u>512</u>	<u>512</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
Percentage Error					<u>0.00%</u>			

Reg Avg.(Mileage) = Regular Including Grade PK students (Part A)      Reported      4.4      Recalculated      4.4  
 Reg Avg.(Mileage) = Regular Excluding Grade PK students (Part B)      11.8      11.8  
 Spec Avg. = Special Ed with Special Needs      11.8      11.8

**SCHEDULE OF AUDITED ENROLLMENTS**

**MOUNTAINSIDE BOROUGH SCHOOL DISTRICT**  
**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	-	-	-	-	-	-
Kindergarten	-	-	-	-	-	-
One	-	-	-	-	-	-
Two	-	-	-	-	-	-
Three	-	-	-	-	-	-
Four	-	-	-	-	-	-
Five	-	-	-	-	-	-
Six	-	-	-	-	-	-
Seven	-	-	-	-	-	-
Eight	-	-	-	-	-	-
Nine	-	-	-	-	-	-
Ten	-	-	-	-	-	-
Eleven	-	-	-	-	-	-
Twelve	-	-	-	-	-	-
Subtotals	-	-	-	-	-	-
Sp Ed - Elementary	-	-	-	-	-	-
Sp Ed - Middle School	-	-	-	-	-	-
Sp Ed - High School	-	-	-	-	-	-
Subtotals	-	-	-	-	-	-
Totals	-	-	-	-	-	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**EXCESS SURPLUS CALCULATION**

**SECTION 1 - REGULAR DISTRICT**

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

2019-20 Total General Fund Expenditures per the CAFR "C-1"	\$ <u>19,839,046.05</u>	(B)
Increased by Applicable Operating Transfers:		
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 Pre-K Regular	\$ <u>-</u>	(B1c)
Transfer from General Fund to SRF for Pre-K Inclusion	\$ <u>-</u>	(B1d)
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ <u>1,800,200.29</u>	(B2a)
Assets Acquired Under Capital Leases	\$ <u>-</u>	(B2b)
Adjusted 2019-20 General Fund Expenditures [(B)+(B1s)-B2s)]	<u>18,038,845.76</u>	(B3)
2% of Adjusted 2019-20 General Fund Expenditures [(B3) times .02]	\$ <u>360,776.92</u>	(B4)
Enter Greater of (B4) or \$250,000	\$ <u>360,776.92</u>	(B5)
Increased by: Allowable Adjustment*	\$ <u>16,518.00</u>	(K)
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]	\$ <u><u>377,294.92</u></u>	(M)

**SECTION 2**

Total General Fund - Fund Balances @ 6/30/20 (Per CAFR Budgetary Comparison schedule/statement)	\$ <u>2,240,780.50</u>	(C)
Decreased by:		
Reserve for Encumbrances	\$ <u>50,000.00</u>	(C1)
Legally Restricted -Designated for Subsequent Year's Expenditures	\$ <u>-</u>	(C2)
Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ <u>442,801.92</u>	(C3)
Other Reserved Fund Balances****	\$ <u>910,148.66</u>	(C4)
Assigned Unreserved Fund Balance - Designated for Subsequent Year's Expenditures	\$ <u>-</u>	(C5)
Additional Assigned Fund Balance-Unreserved-Designated for Subsequent Year Expenditures July 1-August 31, 2020	\$ <u>85,535.00</u>	(C6)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]	\$ <u><u>752,294.92</u></u>	(U1)



**SECTION 3**

Restricted Fund Balance-Excess Surplus ***((U1-(M)) If negative enter -0-	\$	<u>375,000.00</u>	(E)
<b><u>Recapitulation of Excess Surplus as of June 30, 2020</u></b>			
Reserved Excess Surplus-Designated for Subsequent Year's Expenditures**	\$	<u>442,801.92</u>	(C3)
Reserved Excess Surplus***(E)	\$	<u>375,000.00</u>	(E)
Total Excess Surplus [(C3) +(E)]	\$	<u><u>817,801.92</u></u>	(D)

Footnotes:

\*Allowable adjustment to expenditures on line K must be as follows. This adjustment line (as detailed below) is to be utilized when applicable for:

(H) Federal Impact Aid. The passage of P.L. 2015, c. 46 amended NJSA 18A:7F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general fund. Accordingly, for the year ending June 30, 2015, the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve-General (8002 or 8003) by Board resolution during June of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4).

(I) Sale and Leaseback (Refer to audit Program Section II, Chapter 10)

(J1) Extraordinary Aid

(J2) Additional Nonpublic School Transportation Aid

(J3) Recognized current year School Bus Advertising Revenue, and

(J4) Family Crisis Transportation Aid

Notes to auditor: Refer to audit Program Section II, Chapter 10 for restrictions on the inclusion of Extraordinary Aid, FamilyCrisis Transportation Aid, and Additional Non public School Transportation Aid

**Detail of Allowable Adjustments**

Impact Aid	\$	-	(H)
Sale & Lease-back	\$	-	(I)
Extraordinary Aid	\$	16,518.00	(J1)
Additional Nonpublic School Transportation Aid	\$	-	(J2)
Current year School Bus Advertising Rev. Recognized	\$	-	(J3)
Family Crisis Transportation Aid	\$	-	(J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)]	\$	16,518.00	(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 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 separate proposal	\$	-	
Sale/lease-back reserve	\$	-	
Capital Reserve	\$	496,725.40	
Maintenance Reserve	\$	153,423.26	
Emergency Reserve	\$		
Tuition Reserve	\$	260,000.00	
School Bus Advertising 50% Fuel Offset Reserve-current year	\$	-	
School Bus Advertising 50% Fuel Offset Reserve-prior year	\$	-	
Impact Aid General Fund Reserve (Sec. 8002 & 8003)	\$	-	
Impact Aid Capital Fund Reserve (Sec. 8007 & 8008)	\$	-	
Other state/government mandated reserve	\$	-	
(Other Restricted Fund Balance not noted above)****	\$	-	
Total Other Reserved Fund Balance	\$	910,148.66	(C4)

MOUNTAINSIDE 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

None

3. School Purchasing Programs

Finding 2020-001 - Although new procedures have been implemented within the Business Office, standard operating procedures should be updated and followed by all staff to ensure documentation exists for obtaining competitive quotes where required.

4. School Food Service

None

5. Student Body Activities

Finding 2020-002 - We suggest that the District instruct all custodians of student activity funds to maintain documentation to substantiate all cash received and reported in the school's cash receipt ledger.

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

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