

**RAHWAY SCHOOL DISTRICT  
AUDITOR'S MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE  
JUNE 30, 2020**

**RAHWAY SCHOOL DISTRICT  
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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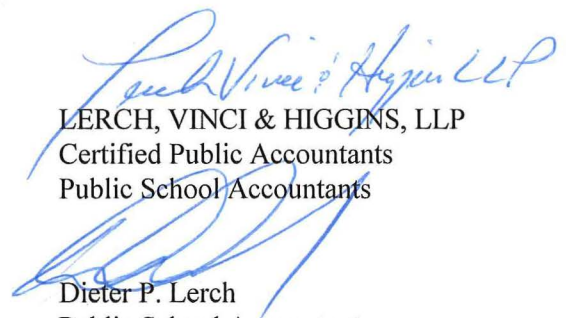
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Honorable President and Members  
of the Board of Education  
Rahway School District  
Rahway, New Jersey

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 Rahway School District as of and for the fiscal year ended June 30, 2020, and have issued our report thereon dated February 5, 2021.

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

This report is intended solely for the information and use of management, the Board of Trustees, others within the District and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.



LERCH, VINCI & HIGGINS, LLP  
Certified Public Accountants  
Public School Accountants  
Dieter P. Lerch  
Public School Accountant  
PSA Number CS00756

Fair Lawn, New Jersey  
February 5, 2021

**RAHWAY SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Scope of Audit**

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

**Administrative Practices and Procedures**

**Insurance**

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

**Official Bonds**

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Patricia Wilson	School Business Administrator	\$ 400,000

There is a Public Employees' Faithful Performance Blanket Position Bond with Selective Insurance covering all other employees with coverage of \$250,000.

**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 supporting documentation.

**Payroll Account**

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

All payrolls tested were certified by the President of the Board, the Board Secretary and the Chief School Administrator.

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

The School Business Administrator completed and filed the required Certification of Compliance with Federal and State Law respecting the reporting of compensation for certain employees.

**Reserve for Encumbrances and 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. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered, as of June 30.

**RAHWAY SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Financial Planning, Accounting and Reporting (Continued)**

Travel

The District has an approved board travel policy as required by N.J.A.C. 6A:23A-6.13 and N.J.S.A. 18A:11-12.

Payments made to employees for travel were in accordance with the approved travel policy except for the following:

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 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:23A-8.2. As a result of the procedures performed, no additional procedures were deemed necessary to test the propriety of expenditure classification

Board Secretary's Records

The financial records, books of account and minutes maintained by the Board Secretary were in good condition.

The Board Secretary's and designee's cash reports were presented monthly to the Board and were submitted to the Executive County Superintendent as prescribed by N.J.S.A. 18AS:17-9 and 18A:17-36.

Acknowledgment of the Board's receipt of the monthly financial reports was included in the minutes.

Bids received were summarized in the minutes (N.J.S.A. 18A:18A-21).

**Finding** – Our audit indicated that transactions occurring through the District's lease purchase escrow account were not reflected in the District's financial records.

**Recommendation** – Transactions of the District's lease purchase escrow account be reflected on the financial records of the District.

Board Designee – Bank Reconciliations

The Board has appointed the accountant as the designee to perform cash reconciliations.

The Board designee did perform cash reconciliations for certain District accounts (N.J.S.A. 18A:17-36).

The monthly bank reconciliations were in agreement with the records of the Board Secretary and designee that were approved in the official minutes.

**RAHWAY SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Financial Planning, Accounting and Reporting (Continued)**

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

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

Our examination of the E.S.E.A./E.S.S.A. 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.

I.D.E.A. Part B

Separate accounting records were maintained for each approved project.

Grant application approvals and acceptance of grant funds were made by Board resolution.

Non Public State Aid

Project completion reports were finalized and transmitted to the Department of Education by the due date.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Exhibit K-3 and Exhibit K-4 located in the CAFR.

Our 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.

The financial exhibits contained herein represent a true statement of the financial position pertaining to the aforementioned special projects.

**Finding (CAFR Finding 2020-001)** – Our audit of the District's Extraordinary Aid application indicated that individual student costs claimed on the application were not in agreement with the respective tuition contract amount.

**Recommendation** – Internal controls over the preparation of the extraordinary aid application be reviewed and enhanced to ensure that the correct amount of costs are claimed.

T.P.A.F. Reimbursements

Our audit procedures included a test of the semi-monthly 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.

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 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.

**RAHWAY SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**School Purchasing Programs**

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with N.J.S.A 18A:18A-2 and 18A:18A-3(a) are \$40,000 (with a qualified purchasing agent) and \$29,000 (without a qualified purchasing agent), respectively. The law regulating bidding for public school student transportation contracts under NJSA 18:39-3 is currently \$19,000. The Board has approved a resolution designating the Business Administrator as a Qualified Purchasing Agent and the bid threshold of \$40,000.

The district 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 Board attorney's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

The results of our examination indicated that no individual payments, contracts, or agreements were made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18:A18-4.

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 N.J.S.A. 18A:18A-10, therefore, the extent of such purchases could not reasonably be ascertained. Our examination did reveal, however, that purchases were made through the use of State contracts.

**School Food Service**

In accordance with the Governor's Declaration of Emergency pertaining to COVID-19, all public, charter and 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, SFA's 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 SFA's 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 reduce priced meal eligible students.

SFA's 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 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.

The financial transactions and statistical records of the school food service fund were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

USDA Food Distribution Program commodities were received and a single inventory was maintained on a first-in, first-out basis.

Cash receipts and bank records were reviewed for timely deposit.

**RAHWAY SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**School Food Service (Continued)**

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

The cash disbursement 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.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds (Exhibits B4-B6).

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

Net cash resources do not exceed three months average expenditures.

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

Applications for free and reduced priced meals were reviewed for completeness and accuracy. The number of free and reduced priced meals claimed as serviced 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 priced meal policy was reviewed for uniform administration throughout the school system. The required verification procedures for free and reduced priced applications were completed and available for review.

The District contracted with Pomptonian, Inc. to manage the operations of the school food service operations and deposited funds in accordance with applicable State statutes. Provisions of the FSMC contract includes an operating results provision which has been met. All vendor discounts, rebates and credits from vendors and/or the FSMC were tracked and credited to the Food Service Account and reconciled to supporting documentation at least annually.

**Student Activity Funds/Athletic Association/Scholarships**

The Board has a policy, which clearly established the regulation of student activity funds.

**Finding** – Our audit of the district’s student activity accounts indicated the following:

- Sufficient detailed documentation was not maintained to support receipts reflected on transaction ledgers.
- Payment approval forms were not able to be provided for disbursements made from the Franklin School bank account.

**Recommendation** – With respect to the student activity accounts:

- Detailed documentation to support receipts reflected on the transaction ledgers be maintained and made available for audit.
- Payment approval signatures be obtained prior to disbursements being made from the Franklin School bank account.



**RAHWAY SCHOOL DISTRICT  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**Application for State School Aid**

Our audit procedures 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, related services, bilingual and low income. 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 without exception. The information on the workpapers was verified without exception. The results are presented in the Schedule of Audited Enrollments.

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, except as noted below.

**Pupil Transportation**

Our audit procedures included a test of on roll status reported in the 2019-2020 District Report of Transported Resident Students (DRTRS). 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.

**Facilities and Capital Assets**

Our procedures included a review of the School Development Authority grant agreements for consistency with recording SDA revenue, transfer of local funds from the General Fund or from Capital Reserve and awarding of contracts for eligible facilities construction.

**Finding** – Our audit indicated that the capital assets valuation report, including the related depreciation, was not updated for the year of audit.

**Recommendation** - The District update the capital assets valuation and related depreciation financial records on an annual basis.

**Miscellaneous**

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

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

**Follow-up on Prior Year Findings**

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings.

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

**SCHEDULE OF MEAL COUNT ACTIVITY - FEDERAL**

<u>Program</u>	<u>Meals Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>
<b>National School Lunch (Regular Rate)</b>	Paid	100,472	63,176	63,176		
	Reduced	30,190	18,447	18,447		
	Free	<u>156,425</u>	<u>96,030</u>	<u>96,030</u>	<u>-</u>	
	<b>Total</b>	<u>287,087</u>	<u>177,653</u>	<u>177,653</u>	<u>-</u>	
<b>School Breakfast (Regular Rates)</b>	Paid	15,305	9,420	9,420		
	Reduced	6,338	3,754	3,754		
	Free	<u>44,317</u>	<u>26,278</u>	<u>26,278</u>	<u>-</u>	
	<b>Total</b>	<u>65,960</u>	<u>39,452</u>	<u>39,452</u>	<u>-</u>	

**SCHEDULE OF MEAL COUNT ACTIVITY - STATE**

<u>Program</u>	<u>Meals Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>
<b>State Reimbursement - National School Lunch (Regular Rate)</b>	Paid	100,472	63,176	63,176		
	Reduced	30,190	18,447	18,447		
	Free	<u>156,425</u>	<u>96,030</u>	<u>96,030</u>	<u>-</u>	
	<b>Total</b>	<u>287,087</u>	<u>177,653</u>	<u>177,653</u>	<u>-</u>	

**RAHWAY SCHOOL DISTRICT  
FOOD SERVICE FUND  
NET CASH RESOURCES SCHEDULE  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**NET CASH RESOURCES SCHEDULE**

**Net Cash Resources**

**Current Assets**

Cash and Cash Equivalents	\$	375,835
Accounts Receivable		9,053
Intergovernmental Accounts Receivable		86,124

**Current Liabilities**

Accounts Payable		(50,726)
Unearned Revenue		(24,617)

**Net Cash Resources** **\$ 395,669 (A)**

**Operating Expenditures**

Total Operating Expenditures		1,634,566
Less Depreciation		(32,091)

**Adjusted Total Operating Expenditures** **\$ 1,602,475 (B)**

**Average Monthly Operating Expense:**

**B / 10** **\$ 160,248 (C)**

**Three times monthly Average:**

**C x 3** **\$ 480,743 (D)**

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TOTAL IN BOX A \$ 395,669

LESS TOTAL IN BOX D \$ 480,743

NET **\$ -**

**RAHWAY SCHOOL DISTRICT  
APPLICATION FOR STATE SCHOOL AID  
SCHEDULE OF AUDITED ENROLLMENTS  
OCTOBER 15, 2019**

	2020-21 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 Register On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample for Verifi- cation	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool - 3 years					-	-										
Half Day Preschool - 4 years					-	-										
Full Day Preschool - 3 years	29		29		-	-	29		29							
Full Day Preschool - 4 years	186		186		-	-	29		29							
Half Day Kindergarten					-	-										
Full Day Kindergarten	245		245		-	-	95		95							
One	271		271		-	-	96		96							
Two	223		223		-	-	37		37							
Three	235		235		-	-	42		42							
Four	231		231		-	-	66		66							
Five	259		259		-	-	52		52							
Six	258		258		-	-	59		59							
Seven	267		267		-	-	267		267							
Eight	262		262		-	-	262		262							
Nine	265		265		-	-	265		265	-						
Ten	228	2	228	2	-	-	228		228							
Eleven	170	6	170	6	-	-	170		170							
Twelve	195	9	195	9	-	-	195		195							
Subtotal	3,324	17	3,324	17	-	-	1,892	-	1,892	-	-	-	-	-	-	-
Spec Ed - Elementary	246		246		-	-	24		24				13.0	9.0	9.0	-
Spec Ed- Middle School	173		173		-	-	118		118				15.0	9.0	9.0	-
Spec Ed - High School	164	31	164	31	-	-	164		164				24.0	17.0	17.0	-
Subtotal	583	31	583	31	-	-	306	-	306	-	-	-	52.0	35.0	35.0	-
<b>Totals</b>	<b>3,907</b>	<b>48</b>	<b>3,907</b>	<b>48</b>	<b>-</b>	<b>-</b>	<b>2,198</b>	<b>-</b>	<b>2,198</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>52.0</b>	<b>35.0</b>	<b>35.0</b>	<b>-</b>
Percentage Error					<u>0.00%</u>	<u>0.00%</u>				<u>0.00%</u>	<u>0.00%</u>					<u>0.00%</u>

RAHWAY SCHOOL DISTRICT  
APPLICATION FOR STATE SCHOOL AID  
SCHEDULE OF AUDITED ENROLLMENTS  
OCTOBER 15, 2019

	Low Income			Sample for Verification			LEP Low Income			Sample for Verification		
	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Pre-School (3 Yrs)			-			-			-			-
Half Day Pre-School (4 Yrs)			-			-			-			-
Full Day Preschool - 3 years	7.0	7.0	-			-			-			-
Full Day Preschool - 4 years	91.0	91.0	-			-			-			-
Half Day Kindergarten			-			-			-			-
Full Day Kindergarten	138.0	138.0	-	5.0	5.0	-	36.0	36.0	-	6.0	6.0	-
One	137.0	137.0	-	5.0	5.0	-	29.0	29.0	-	5.0	5.0	-
Two	110.0	110.0	-	3.0	3.0	-	26.0	26.0	-	4.0	4.0	-
Three	126.0	126.0	-	5.0	5.0	-	23.0	23.0	-	4.0	4.0	-
Four	133.0	133.0	-	5.0	5.0	-	22.0	22.0	-	4.0	4.0	-
Five	140.0	140.0	-	5.0	5.0	-	13.0	13.0	-	2.0	2.0	-
Six	135.0	135.0	-	5.0	5.0	-	11.0	11.0	-	2.0	2.0	-
Seven	139.0	139.0	-	5.0	5.0	-	6.0	6.0	-	1.0	1.0	-
Eight	132.0	132.0	-	5.0	5.0	-	14.0	14.0	-	2.0	2.0	-
Nine	148.0	148.0	-	5.0	5.0	-	11.0	11.0	-	2.0	2.0	-
Ten	110.0	110.0	-	4.0	4.0	-	9.0	9.0	-	2.0	2.0	-
Eleven	90.0	90.0	-	3.0	3.0	-	6.0	6.0	-	1.0	1.0	-
Twelve	108.0	108.0	-	4.0	4.0	-	9.0	9.0	-	1.0	1.0	-
Subtotal	1,744.0	1,744.0	-	59.0	59.0	-	215.0	215.0	-	36.0	36.0	-
Spec Ed - Elementary	122.0	122.0	-	5.0	5.0	-	27.0	27.0	-	5.0	5.0	-
Spec Ed- Middle School	112.0	112.0	-	3.0	3.0	-	7.0	7.0	-	1.0	1.0	-
Spec Ed - High School	90.0	90.0	-	3.0	3.0	-	2.0	2.0	-	1.0	1.0	-
Subtotal	324.0	324.0	-	11.0	11.0	-	36.0	36.0	-	7.0	7.0	-
Totals	2,068.0	2,068.0	-	70.0	70.0	-	251.0	251.0	-	43.0	43.0	-
Percentage Error			0.00%			0.00%			0.00%			0.00%

Transportation						
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular- Public Schools	206.0	206.0		37.0	37.0	-
Regular - Sped.	15.0	15.0		3.0	3.0	-
Transported- Non- Public	89.0	89.0		16.0	16.0	-
Special Needs- Public	202.0	202.0	-	36.0	36.0	-
Totals	512.0	512.0	-	92.0	92.0	-
			0.00%			0.00%

**RAHWAY SCHOOL DISTRICT  
APPLICATION FOR STATE SCHOOL AID  
SCHEDULE OF AUDITED ENROLLMENTS  
OCTOBER 15, 2019**

	Resident LEP Not Low Income			Sample for Verification		
	Reported on A.S.S.A as Not Low Income	Reported on Workpapers as Not Low Income	Errors	Sample Selected from Workpapers	Verified to Register	Sample Errors
Half Day Pre-School (3 Yrs)			-			-
Half Day Pre-School (4 Yrs)			-			-
Full Day Pre-School (3 Yrs)			-			-
Full Day Pre-School (4 Yrs)	-	-	-			-
Half Day Kindergarten			-			-
Full Day Kindergarten	11.0	11.0	-	1.0	1.0	-
One	17.0	17.0	-	3.0	3.0	-
Two	8.0	8.0	-	1.0	1.0	-
Three	13.0	13.0	-	2.0	2.0	-
Four	15.0	15.0	-	2.0	2.0	-
Five	3.0	3.0	-	1.0	1.0	-
Six	-	-	-	-	-	-
Seven	6.0	6.0	-	1.0	1.0	-
Eight	7.0	7.0	-	1.0	1.0	-
Nine	2.0	2.0	-	1.0	1.0	-
Ten	4.0	4.0	-	1.0	1.0	-
Eleven	5.0	5.0	-	1.0	1.0	-
Twelve	-	-	-	-	-	-
Subtotal	91.0	91.0	-	15.0	15.0	-
Spec Ed - Elementary	7.0	7.0	-	1.0	1.0	-
Spec Ed- Middle School	-	-	-	-	-	-
Spec Ed - High School	1.0	1.0	-	1.0	1.0	-
Subtotal	8.0	8.0	-	2.0	2.0	-
Totals	99.0	99.0	-	17.0	17.0	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**RAHWAY SCHOOL DISTRICT  
CALCULATION OF EXCESS SURPLUS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

**SECTION 1**

**Calculation A: 2% Excess Surplus:**

2019-20 Total General Fund Expenditures Reported on Exhibit C-1		\$ 78,105,465
Increased by:		
Transfer to Special Revenue Fund- Preschool Program	\$ 90,000	
Capital Outlay Transfer to Capital Projects	15,170	
Capital Reserve Transfer to Capital Projects	<u>96,400</u>	
		201,570
Decreased by:		
On-Behalf TPAF Pension & Social Security		<u>(10,990,956)</u>
Adjusted 2019-20 General Fund Expenditures		<u>\$ 67,316,079</u>
2% of Adjusted 2019-20 General Fund Expenditures		<u>\$ 1,346,322</u>
Enter Greater of 2% of Adjusted 2019-20 General Fund Expenditures or \$250,000	\$ 1,346,322	
Increased by: Allowable Adjustment*	<u>366,420</u>	
Maximum Unassigned Fund Balance		<u>\$ 1,712,742</u>

**SECTION 2 - All Districts**

Total General Fund - Fund Balances at June 30, 2020 (Per CAFR Budgetary Comparison Schedule/Statement)		\$ 8,960,531
Decreased by:		
Year End Encumbrances	(190,513)	
Capital Reserve / Maintenance Reserve	(2,910,505)	
Excess Surplus -Designated for Subsequent Year's Expenditures	(1,956,303)	
Assigned-Designated for Subsequent Year's Expenditures	<u>(280,327)</u>	
Total Unassigned Fund Balance		<u>\$ 3,622,883</u>

**SECTION 3**

<b>Fund Balance - Excess Surplus</b>		<u>\$ 1,910,141</u>
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**\*Detail of Allowable Adjustments**

Extraordinary Aid		\$ 343,206
Additional Nonpublic School Transportation Aid		<u>23,214</u>
		<u>\$ 366,420</u>

**RAHWAY SCHOOL DISTRICT  
RECOMMENDATIONS**

**I. Administrative Practices and Procedures**

There are none.

**II. Financial Planning, Accounting and Reporting**

It is recommended that:

- \* 1. Transactions of the District's lease purchase escrow account be reflected on the financial records of the District.
- \* 2. Internal controls over the preparation of the extraordinary aid application be reviewed and enhanced to ensure that the correct amount of costs are claimed.

**III. School Purchasing Program**

There are none.

**IV. School Food Service**

There are none.

**V. Student Body Activities/Athletics/Scholarships**

It is recommended that:

1. Detailed documentation to support receipts reflected on the transaction ledgers be maintained and made available for audit.
2. Payment approval signatures be obtained prior to disbursements being made from the Franklin School bank account.

**VI. Application for State School Aid**

There are none.

**VII. Pupil Transportation**

There are none.



**RAHWAY SCHOOL DISTRICT  
RECOMMENDATIONS**

**VIII. Facilities and Capital Assets**

It is recommended that the District update the capital assets valuation and related depreciation financial records on an annual basis.

**IX. Miscellaneous**

There are none.

**Follow-Up on Prior Year Findings**

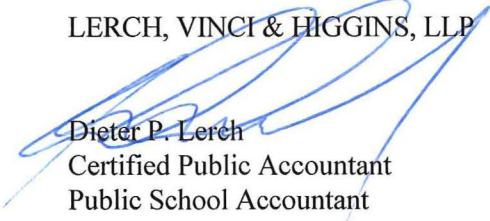
A review was performed on prior year's recommendations and corrective action was taken on all other than those denoted with an asterisk (\*) above.

**ACKNOWLEDGEMENT**

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

Respectfully submitted,

LERCH, VINCI & HIGGINS, LLP



Dieter P. Lerch  
Certified Public Accountant  
Public School Accountant