

**BOARD OF EDUCATION OF THE
CITY OF SALEM SCHOOL DISTRICT
COUNTY OF SALEM**

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

**FOR THE FISCAL YEAR ENDED
JUNE 30, 2020**



CITY OF SALEM SCHOOL DISTRICT
Auditor's Management Report on Administrative
Findings - Financial, Compliance and Performance

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

The Honorable President and
Members of the Board of Education
City of Salem School District
County of Salem, 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 City of Salem School District, in the County of Salem, State of New Jersey, as of and for the fiscal year ended June 30, 2020, which were separately issued in the Comprehensive Annual Financial Report dated April 6, 2021.

As part of our audit, we also 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 issued in conjunction with the Comprehensive Annual Financial Report of the City of Salem School District, for the fiscal year ended June 30, 2020, and is intended for the information of the School District's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Henry J. Ludwigen
Certified Public Accountant
Public School Accountant No. CS 001112

Woodbury, New Jersey
April 6, 2021

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE**SCOPE OF AUDIT**

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

ADMINISTRATIVE PRACTICES AND PROCEDURES**Insurance**

Fire insurance coverage was carried in the amounts as detailed on exhibit J-20, insurance schedule, contained in the School District's Comprehensive Annual Financial Report (CAFR).

Official Bonds (N.J.S.A. 18A: 17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Herbert Schectman	Board Secretary / School Business Administrator	\$50,000.00
Linda Jones	Treasurer of School Moneys	300,000.00

There is a blanket dishonesty bond covering all other employees with the following coverage: \$100,000.00 all other employees with multiple coverage of \$100,000.00.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were less than estimated costs. The School District made a proper adjustment to the billings to sending districts for the decrease in per pupil costs in accordance with N.J.A.C. 6A:23A-17.1(f)3.

FINANCIAL PLANNING, ACCOUNTING, AND REPORTING**Examination of Claims**

Sampled claims paid during the fiscal year under audit did not indicate any reportable noncompliance with respect to signatures, certification, or supporting documentation.

Payroll Account

The net salaries of sampled employees of the School District were deposited in the net payroll account. Employees' payroll deductions and the employer's share of fringe benefits were deposited in the payroll agency account.

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

Sampled salary withholdings were promptly remitted to the proper agencies, including health benefit premium withholdings due to the general fund.

Sampled payrolls were delivered to the Treasurer of School Moneys with a warrant made to his order for the full amount of the payroll.

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

Employee Position Control Roster

A sample of the Employee Position Control Roster indicated that it was in satisfactory condition and was approved by the county office submission with the 2019-2020 budget review checklist.

Encumbrances and Accounts Payable

A sample of outstanding issued purchase orders was made as of June 30 for proper classification of orders as encumbrances and accounts payable. Our sample did not indicate any reportable noncompliance with respect to classification of orders.

Travel

Our sample of travel expenditures indicated the following reportable noncompliance:

Finding No. 2020-008 (CAFR Finding No. 2020-008)

The School District could not provide evidence of accurate budget transfer reports, therefore could not substantiate any required approvals for transfers that exceeded 10% on a cumulative basis. The School District made transfers to accounts identified as capital outlay not previously approved and without Executive County Superintendent approval. The School District had employees travel internationally as part of the district's International Baccalaureate Program, but did not obtain approvals from the Executive County Superintendent.

Recommendation

That the School District comply with N.J.S.A. 18A:22-8.1, N.J.A.C. 6A:23A-13.3, and N.J.A.C. 6A:23A-5.9 by compiling monthly transfer reports including transfers made to capital outlay appropriations and review for any required approvals and approvals for employees to travel internationally.

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 randomly sampled expenditure transactions. We also tested the coding of all expenditures included in our compliance and single audit sampling procedures. In addition, a sample was selected that specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. Our samples did not indicate any reportable noncompliance with respect to classification of expenditures.

Board Secretary's Records

Our audit of the financial and accounting records maintained by the Board Secretary indicated that they were not in satisfactory condition as evidenced by the following:

Finding No. 2020-001 (CAFR Finding No. 2020-001)

The School District ended the year with a cumulative deficit of \$290,389.05, which was a reduction of \$330,725.90 from the prior fiscal year, in the General Fund.

Recommendation

The School District should continue to strengthen internal control procedures over the review of the financial position of all funds in the district, specifically the General Fund. The School District should also continue corrective action efforts that have helped reduce the deficit as of June 30, 2019 of \$621,114.95 to \$290,389.05 as of June 30, 2020.

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

Board Secretary's Records (Cont'd)

Finding No. 2020-002 (CAFR Finding No. 2020-002)

The School District did not have a fully functioning financial reporting system to allow for use in financial analysis and financial reporting for the fiscal year ended June 30, 2020.

Recommendation

The School District continue to strengthen existing internal controls and implement additional internal controls to help oversee the completion of complete and accurate financial records for use in financial analysis and financial reporting.

Finding No. 2020-005 (CAFR Finding No. 2020-005)

The School District suffered a ransomware attack with inconsistencies in the School District's backup files.

Recommendation

The School District should strengthen physical and virtual security over their information technology systems, including regular systematic backups of the School District's data.

Treasurer of School Moneys' Records

Our audit of the financial and accounting records maintained by the Treasurer of School Moneys indicated that they were in satisfactory condition.

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

The 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 the projects under Titles I, II and IV of the Every Student Succeeds Act.

The audit of compliance for E.S.S.A. did not indicate any reportable noncompliance.

Other Special Federal and / or State Projects

The School District's other special projects were approved as listed on exhibits K-3 and K-4 located in the CAFR.

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

The financial exhibits are contained within the special revenue section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned other special projects.

The audit of compliance for other special projects indicated the following reportable instances of noncompliance:

Finding No. 2020-007 (CAFR Finding No. 2020-007)

The School District incurred an overexpenditure of \$83,451.58 in Fund 15 for the elementary school.

Recommendation

The School District should implement internal controls over budgetary expenditures to review obligations prior to overexpenditure of the School District's appropriations.

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

TPAF Reimbursement

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

TPAF Reimbursement to the State for Federal Salary Expenditures

Finding No. 2020-004 (CAFR Finding No. 2020-004)

The reimbursement to the State for 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 subsequent to the end of the 90 day grant liquidation period required by the Office of Grants Management and N.J.S.A. 18A:66-90.

Recommendation

The School District should adopt internal control procedures designed to ensure that reimbursement(s) of TPAF/FICA paid by the State on-behalf of TPAF employees charged to federal grants are properly remitted within the statutory 90 day liquidation period.

SCHOOL PURCHASING PROGRAMS

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-1 et seq. (Public School Contracts Law), the associated rules and related information on the statute, and the school contracts in general, are available on the following website:

<https://www.state.nj.us/dca/divisions/dlgs/programs/lpcl.html>

Current statute is posted on the New Jersey Legislature website at:

<http://www.njleg.state.nj.us/>

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 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 \$19,000.00 for 2019-20.

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

Based on the results of our audit, we noted individual payments, contracts, or agreements 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. 18A:18A-4.

Finding No. 2020-009 (CAFR Finding No. 2020-009)

The School District did not provide evidence that it was in compliance with Public School Contracts Law regulations (N.J.S.A. 18A:18A-1 et seq.).

Recommendation

That the School District retain evidence that it complied with Public School Contracts Law regulations (N.J.S.A. 18A:18A-1 et seq.).

SCHOOL FOOD SERVICE

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 school food service program was not selected as a major federal and / or State program. However, the program expenditures exceeded \$100,000.00 in federal and / or State support. Accordingly, we inquired of school management, or appropriate school food service personnel, as to whether the School Food Authority (SFA) had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

We also inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

The statement of revenues, expenses, and changes in fund net position (CAFR exhibit B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

The statement of revenues, expenses, and changes in fund net position (CAFR exhibit B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

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.

Net cash resources did exceed three months average expenditures.

Finding No. 2020-003 (CAFR Finding No. 2020-003)

A Food Service Fund's Net Cash Resources should not exceed its three months average expenditures.

Recommendation

That the School District develop a plan to reduce the Food Service Fund's Net Cash Resources below its three month average expenditures.

STUDENT BODY ACTIVITIES

Our audit of the financial and accounting records for student activities indicated the following reportable condition:

Finding No. 2020-006 (CAFR Finding No. 2020-006)

The School District was unable to provide bank reconciliations, receipt support, and disbursement support for the middle school student activities fund.

Recommendation

The School District should enforce internal control policies and procedures over the prompt reconciliation and submission of receipt and disbursement support to the finance office for review and storage.

APPLICATION FOR STATE SCHOOL AID

Our audit procedures included a sample of information reported in the October 15, 2019 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the disabled, low-income, and bilingual. We also performed an inspection of the School District procedures related to its completion. The information on the A.S.S.A. was compared to the School 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 School District maintained workpapers on the prescribed State forms or their equivalent.

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

PUPIL TRANSPORTATION

Our audit procedures included a sample of on-roll status reported in the 2019-2020 District Report of Transported Resident Students (DRTRS). The information that was reported on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures are presented in the schedule of audited enrollments.

Our procedures also included a sample of transportation related contracts and purchases. Based on our sample, the School District complied with proper bidding procedures and award of contracts. No exceptions were noted in our sample of transportation related purchases of goods and services.

FACILITIES AND CAPITAL ASSETS

Our audit of the financial and accounting records for facilities and capital assets indicated that they were in satisfactory condition.

MISCELLANEOUS

Continuing Disclosure Agreements

The School District complied with its most recent continuing disclosure agreements made in relation to prior year bond issuances.

Testing for Lead of All Drinking Water in Education Facilities

The School District did comply with all the requirements of N.J.A.C. 6A: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).

FOLLOW-UP ON PRIOR YEAR'S FINDINGS

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year recommendations. Corrective action had been taken on all prior year findings with the exception of the following, which are repeated in this year's recommendations noted as current year findings:

Finding No. 2019-001 (See Finding No. 2020-001)

Condition

The School District ended the year with a cumulative deficit of \$290,389.05, which was a reduction of \$330,725.90 from the prior fiscal year, in the General Fund.

Finding No. 2019-002 (See Finding No. 2020-002)

Condition

The School District did not have a fully functioning financial reporting system to allow for use in financial analysis and financial reporting for the fiscal year ended June 30, 2020.

Finding No. 2019-003 (See Finding No. 2020-003)

Condition

The School District's Food Service Fund Net Cash Resources exceeded its three months average expenditures by \$23,387.84.

Finding No. 2019-004 (See Finding No. 2020-004)

Condition

The School District did not remit payment to the State of New Jersey Treasurer within the required time period.

There were no Office of Fiscal Accountability and Compliance audit reports issued during the fiscal year ended June 30, 2020.

ACKNOWLEDGMENT

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

Respectfully submitted,



BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants



Henry J. Ludwigsen
Public School Accountant No. CS 001112

CITY OF SALEM SCHOOL DISTRICT
 Schedule of Net Cash Resources
 Net Cash Resources Did Exceed Three Months of Expenditures
 Proprietary Funds - Food Service Fund
 For the Fiscal Year Ended June 30, 2020

<u>Net Cash Resources:</u>	<u>Food Service B - 4/5</u>	
CAFR	Current Assets	
B-4	Cash & Cash Equivalents	
B-4	Due from Other Governments	\$ 9,704.58
B-4	Due from Other Funds	587,531.79
B-4	Accounts Receivable	118.41
CAFR	Current Liabilities	
B-4	Less Accounts Payable	(286,976.73)
B-4	Less Accruals	
B-4	Less Due to Other Funds	
B-4	Less Unearned Revenue	
	Net Cash Resources	<u><u>\$ 310,378.05</u></u> (A)

Net Adjusted Total Operating Expense:

B-5	Total Operating Expenditures	\$ 969,634.04	
B-5	Less Depreciation	<u>(12,999.99)</u>	
	Adjusted Total Operating Expense	<u><u>\$ 956,634.05</u></u> (B)	

Average Monthly Operating Expense:

B / 10	<u><u>\$ 95,663.41</u></u> (C)
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Three Times Monthly Average:

3 X C	<u><u>\$ 286,990.22</u></u> (D)
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TOTAL IN BOX A	<u>\$ 310,378.05</u>
LESS TOTAL IN BOX D	<u>\$ 286,990.22</u>
NET	<u><u>\$ 23,387.84</u></u>

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.

CITY OF SALEM SCHOOL DISTRICT
 Application for State School Aid Summary
 Schedule of Audited Enrollments
 Enrollment as of October 15, 2019

	2020-2021 Application for State School Aid						Sample for Verification						Private Schools for the 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 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																
Full Day Preschool	50		50				50		50							
Half Day Kindergarten	88		88				88		88							
Full Day Kindergarten	91		91				91		91							
One	112		112				112		112							
Two	54		54				54		54							
Three	73		73				73		73							
Four	80		80				80		80							
Five	63		63				63		63							
Six	51		51				51		51							
Seven	61		61				61		61							
Eight	48		48				48		48							
Nine	76		76				76		76							
Ten	95		95				95		95							
Eleven	64	3	64	3			64	3	64	3						
Twelve	65	1	65	1			65	1	65	1						
Post-Graduate																
Adult H.S. (15+CR.)																
Adult H.S. (1-14CR.)																
Subtotal	1,071	4	1,071	4	-	-	1,071	4	1,071	4	-	-	-	-	-	-
Special Education-Elementary	60		60				13		13				2	2	2	
Special Education-Middle School	43		43				8		8				4	3	3	
Special Education-High School	68	1	68	1			14		14				7	6	6	
Subtotal	171	1	171	1	-	-	35	-	35	-	-	-	13	11	11	-
Co. Voc. - Regular																
Co. Voc. Ft. Post Sec.																
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Totals	1,242	5	1,242	5	-	-	1,106	4	1,106	4	-	-	13	11	11	-
Percentage Error																

CITY OF SALEM SCHOOL DISTRICT
 Application for State School Aid Summary
 Schedule of Audited Enrollments
 Enrollment as of October 15, 2019

	Resident Low Income			Sample for Verification			Resident 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 LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Application, Test Score and Register	Sample Errors
Half Day Preschool												
Full Day Preschool	99	99										
Half Day Kindergarten												
Full Day Kindergarten	77	77		2	2							
One	91	91		23	23		2	2		2	2	
Two	44	44		5	5		1	1		1	1	
Three	57	57		21	21		1	1		1	1	
Four	60	60		7	7		1	1		1	1	
Five	53	53		12	12							
Six	37	37		11	11		1	1		1	1	
Seven	54	54		17	17		1	1		1	1	
Eight	38	38		22	22		1	1		1	1	
Nine	40	40		14	14		2	2		2	2	
Ten	62	62		21	21		2	2		2	2	
Eleven	41	41		17	17		1	1		1	1	
Twelve	43	43		21	21		1	1				
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14CR.)												
Subtotal	796	796	-	193	193	-	14	14	-	13	13	-
Special Education-Elementary	55	55		11	11							
Special Education-Middle School	27	27		11	11		2	2		2	2	
Special Education-High School	45	45		17	17		4	4		3	3	
Subtotal	127	127	-	39	39	-	6	6	-	5	5	-
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Subtotal	-	-	-	-	-	-	-	-	-	-	-	-
Totals	923	923		232	232		20	20		18	18	-
Percentage Error												

	Transportation						Reg. Avg. (Mileage) = Regular Including Grade PK students (Part A)	Reg. Avg. (Mileage) = Regular Excluding Grade PK students (Part B)	Spec. Avg. (Mileage) = Special Ed. with Special Needs	Re-Reported	Re-Calculated
	Reported on DRTRS by DOE/County	Reported on DRTRS by District	Errors	Tested	Verified	Errors					
Reg. - Public Schools, Col. 1	76	76		36	36				5.0	5.0	
Reg. - SpEd, Col. 4	7	7		3	3				5.0	5.0	
Transported - Non-Public, Col. 3											
Special Needs, Col. 6	65	65		29	29				10.5	10.5	
Totals	148	148	-	68	68	-					
Percentage Error			-			-					

CITY OF SALEM SCHOOL DISTRICT
 Application for State School Aid Summary
 Schedule of Audited Enrollments
 Enrollment as of October 15, 2019

	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.S.S.A. as NOT Low <u>Income</u>	Reported on Workpapers as NOT Low <u>Income</u>	<u>Errors</u>	Sample Selected from <u>Workpapers</u>	Verified to Test Score and Register	Sample <u>Errors</u>
Half Day Preschool						
Full Day Preschool						
Half Day Kindergarten						
Full Day Kindergarten						
One						
Two						
Three						
Four						
Five						
Six	1	1		1	1	
Seven						
Eight						
Nine						
Ten						
Eleven						
Twelve						
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14CR.)						
Subtotal	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>	<u>1</u>	<u>-</u>
Special Education-Elementary	1	1				
Special Education-Middle School						
Special Education-High School						
Subtotal	<u>1</u>	<u>1</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u><u>2</u></u>	<u><u>2</u></u>	<u><u>-</u></u>	<u><u>1</u></u>	<u><u>1</u></u>	<u><u>-</u></u>
Percentage Error			<u><u>-</u></u>			<u><u>-</u></u>

EXCESS SURPLUS CALCULATION

SCHOOL BASED BUDGET DISTRICT

SECTION 1

2% Calculation of Excess Surplus

2019-20 Total General Fund Expenditures Reported on CAFR Exhibit C-1	<u>\$ 24,714,273.22</u> (A)
Increased by Applicable Operating Transfers:	
Transfer from Capital Outlay to Capital Projects Fund	<u>-</u> (A1a)
Transfer from Capital Reserve to Capital Projects Fund	<u>-</u> (A1a)
Transfer from General Fund to Special Revenue Fund for Preschool - Regular	<u>-</u> (A1a)
Transfer from General Fund to Special Revenue Fund for Preschool - Inclusion	<u>-</u> (A1a)
Less: Expenditures Allocated to Restricted Federal Resources as reported on Exhibit D-2	<u>-</u> (A1b)
2019-20 Adjusted General Fund & Other State Expenditures [(A)+(A1a)-(A1b)]	<u>\$ 24,714,273.22</u> (A2)
Decreased by:	
On-Behalf TPAF Pension & Social Security	<u>3,605,128.30</u> (A3)
Assets Acquired Under Capital Leases:	
General Fund 10 Assets Acquired Under Capital Leases Reported on Exhibit C-1a	<u>-</u> (A4)
Add: General Fund & State Resources Portion of Fund 15 Assets Acquired Under Capital Leases:	
Assets Acquired Under Capital Leases in Fund 15 Reported on Exhibit C-1a	<u>-</u> (A5)
Combined General Fund Contribution & State Resources % of Fund 15 Resources Reported on Exhibit D-2	<u>0%</u> (A6)
General Fund & State Resources Portion of Fund 15 Assets Acquired Under Capital Leases [(A5)*(A6)]	<u>-</u> (A7)
Total Assets Acquired Under Capital Leases [(A4)+(A7)]	<u>-</u> (A8)
2019-20 General Fund Expenditures [(A2)-(A3)-(A8)]	<u>\$ 21,109,144.92</u> (A9)
2% of Adjusted 2019-20 General Fund Expenditures [(A9) times .02]	<u>\$ 422,182.90</u> (A10)
Enter Greater of (A10) or \$250,000	<u>422,182.90</u> (A11)
Increased by: Allowable Adjustment *	<u>78,815.00</u> (K)
Maximum Unassigned Fund Balance [(A11)+(K)]	<u>\$ 500,997.90</u> (M)

EXCESS SURPLUS CALCULATION (CONT'D)

SCHOOL BASED BUDGET DISTRICT

SECTION 2

Total General Fund - Fund Balances at June 30, 2020	<u>\$ 1,016,601.48</u> (C)
Decreased by:	
Year-end Encumbrances	<u>1,099,990.53</u> (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	<u>-</u> (C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	<u>-</u> (C3)
Other Restricted Fund Balances ****	<u>207,000.00</u> (C4)
Assigned Fund Balance - Designated for Subsequent Year's Expenditures	<u>-</u> (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	<u>\$ (290,389.05)</u> (U)

SECTION 3

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

Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ - (C3)
Restricted - Excess Surplus ***	<u>-</u> (E)
Total Excess Surplus [(C3)+(E)]	<u>\$ -</u> (D)

Footnotes:

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

(H) Federal Impact Aid. The passage of P.L.2015, c.46 amended N.J.S.A. 18A:7F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general fund. Accordingly, the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve – General (8002 or 8003) by board resolution during June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4);

(I) Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10);

(J1) Extraordinary Aid;

(J2) Additional Nonpublic School Transportation Aid;

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

(J4) Family Crisis Transportation Aid.

Detail of Allowable Adjustments

Federal Impact Aid	<u>\$ -</u> (H)
Sale & Lease-Back	<u>-</u> (I)
Extraordinary Aid	<u>78,815.00</u> (J1)
Additional Nonpublic School Transportation Aid	<u>-</u> (J2)
Current Year School Bus Advertising Revenue Recognized	<u>-</u> (J3)
Family Crisis Transportation Aid	<u>-</u> (J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	<u>\$ 78,815.00</u> (K)

EXCESS SURPLUS CALCULATION (CONT'D)

SCHOOL BASED BUDGET DISTRICT

Footnotes: (Cont'd)

- ** This amount represents the June 30, 2019 Excess Surplus (C3 above) and must be included in the Audit Summary Line 90031. This amount was to be appropriated in the 2019-2020 general fund budget.
- *** Amounts must agree to the June 30, 2020 CAFR and must agree to Audit Summary Line 90030.
- **** Amount for Other Restricted Fund Balance must be detailed for each source and request for approval to use amounts other than state imposed legal restrictions in the excess surplus calculation must be submitted to the Assistant Commissioner - Field Services prior to September 30.

Detail of Other Restricted Fund Balance

Statutory restrictions:

Approved unspent separate proposal	\$ -
Sale/lease-back reserve	-
Capital reserve (N-1)	-
Maintenance reserve (N-2)	207,000.00
Tuition reserve (N-3)	-
Emergency reserve (N-4)	-
School bus advertising 50% fuel offset reserve - current year (N-5)	-
School bus advertising 50% fuel offset reserve - prior year (N-6)	-
Impact Aid General Fund Reserve (Sections 8002 and 8003) (N-7)	-
Impact Aid Capital Fund Reserve (Sections 8007 and 8008) (N-8)	-
Other state/government mandated reserves	-
[Other Restricted Fund Balance not noted above]****	-
Total Other Restricted Fund Balance	<u>\$ 207,000.00 (C4)</u>

CITY OF SALEM 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

That the School District comply with N.J.S.A. 18A:22-8.1, N.J.A.C. 6A:23A-13.3, and N.J.A.C. 6A:23A-5.9 by compiling monthly transfer reports including transfers made to capital outlay appropriations and review for any required approvals and approvals for employees to travel internationally.

The School District should continue to strengthen internal control procedures over the review of the financial position of all funds in the district, specifically the General Fund. The School District should also continue corrective action efforts that have helped reduce the deficit as of June 30, 2019 of \$621,114.95 to \$290,389.05 as of June 30, 2020.

The School District continue to strengthen existing internal controls and implement additional internal controls to help oversee the completion of complete and accurate financial records for use in financial analysis and financial reporting.

The School District should strengthen physical and virtual security over their information technology systems, including regular systematic backups of the School District's data.

The School District should implement internal controls over budgetary expenditures to review obligations prior to overexpenditure of the School District's appropriations.

The School District should adopt internal control procedures designed to ensure that reimbursement(s) of TPAF/FICA paid by the State on-behalf of TPAF employees charged to federal grants are properly remitted within the statutory 90 day liquidation period.

3. School Purchasing Programs

That the School District retain evidence that it complied with Public School Contracts Law regulations (N.J.S.A. 18A:18A-1 et seq.).

4. School Food Service

That the School District develop a plan to reduce the Food Service Fund's Net Cash Resources below its three month average expenditures.

5. Student Body Activities

The School District should enforce internal control policies and procedures over the prompt reconciliation and submission of receipt and disbursement support to the finance office for review and storage.

6. Application for State School Aid

None

CITY OF SALEM SCHOOL DISTRICT
Audit Recommendations Summary
For the Fiscal Year Ended June 30, 2020

Recommendations (cont'd):

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Follow-Up on Prior Year Findings

A review was performed on the prior year recommendations and corrective action was taken on all prior year findings, with the exception of the following, which is repeated in this year's recommendations:

Finding 2019-001 (See Finding 2020-001) - The School District should strengthen internal control procedures over the review of the financial position of all funds in the district, specifically the General Fund and efforts should be made to eliminate the cumulative deficit in the General Fund.

Finding 2019-002 (See Finding 2020-002) - That the School District strengthen existing internal controls and implement additional internal controls to help oversee the completion of complete and accurate financial records for use in budgeting, financial analysis, and financial reporting.

Finding 2019-003 (See Finding 2020-003) - That the School District develop a plan to reduce the Food Service Fund's Net Cash Resources below its three month average expenditures.

Finding 2019-004 (See Finding 2020-004) - The School District should adopt internal control procedures designed to ensure that reimbursement(s) of TPAF/FICA paid by the State on-behalf of TPAF employees charged to federal grants are remitted within the statutory 90 day liquidation period.