

WATCHUNG BOROUGH SCHOOL DISTRICT
COUNTY OF SOMERSET
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2020

WATCHUNG BOROUGH SCHOOL DISTRICT
COUNTY OF SOMERSET
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2020
TABLE OF CONTENTS

Cover Letter.....	1
Scope of Audit.....	2
Administrative Practices and Procedures	2
Insurance	2
Officials in Office and Surety Bonds	2
Tuition Charges	2
Financial Planning, Accounting and Reporting.....	2
Examination of Claims.....	2
Payroll Account and Position Control Roster	2
Reserve for Encumbrances and Accounts Payable	3
Classification of Expenditures - General Classifications and Administrative Classifications	3
Board Secretary's Records	4
Treasurer's Records.....	4
Elementary and Secondary Education Act (E.S.E.A.) as amended by the Every Student Succeeds Act.....	4
Other Special Federal and/or State Projects	5
T.P.A.F Reimbursement.....	5
School Purchasing Programs	5
Contracts and Agreements Requiring Advertisement for Bids	5
School Food Service.....	6
Student Body Activities	7
Application for State School Aid.....	7
Pupil Transportation	8
Travel Expenses.....	8
Testing for Lead of all Drinking Water in Educational Facilities	8
Management Suggestions	9
Status of Prior Year's Findings/Recommendations.....	9
Schedule of Meal/Milk Count Activity (Not Applicable).....	10
Schedule of Net Cash Resources (Not Applicable).....	11
Schedule of Audited Enrollments	12
Excess Surplus Calculation	16
Summary of Recommendations	18



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December 15, 2020

The Honorable President and Members
of the Board of Education
Watchung Borough School District
County of Somerset, 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 financial statements of the Board of Education of the Watchung Borough School District in the County of Somerset for the fiscal year ended June 30, 2020, and have issued our report thereon dated December 15, 2020.

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 letter does not affect our report dated December 15, 2020, on the financial statements of the Board.

We will review the status of our comments during our next audit engagement. We have already discussed the comments and suggestions with various management personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended for the information of the Watchung Borough School District management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Nisivoccia LLP

NISIVOCCIA LLP

Valerie A. Dolan

Valerie A. Dolan
Licensed Public School Accountant #2526
Certified Public Accountant

WATCHUNG BOROUGH SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2020

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer, 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

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

Officials in Office and Surety Bonds

<u>Name</u>	<u>Position</u>	<u>Coverage</u>
Valery Petrone	Interim Business Administrator/Board Secretary - to 10/31/2019	\$ 225,000
Richard Pepe	Business Administrator/Board Secretary - from 11/1/2019	225,000
William J. Hance, Jr.	Treasurer of School Moneys	225,000

The District has Employee Dishonesty and Faithful Performance coverage through the Diploma Joint Insurance Fund for employees not separately bonded as detailed on Exhibit J-20 of the CAFR.

Tuition Charges

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

Financial Planning, Accounting and Reporting

Examination of Claims

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

Payroll Account and Position Control Roster

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

All payrolls tested were approved by the Chief School Administrator and certified by the President of the Board and the School Business Administrator and the Chief School Administrator.

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

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

WATCHUNG BOROUGH SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2020

Financial Planning, Accounting and Reporting (Cont'd)

Payroll Account and Position Control Roster (Cont'd)

Finding:

During our review of the payroll records it was noted that one employee's hourly and as a result, their overtime rate, was not properly calculated which resulted in an overpayment to the employee.

Recommendation:

It is recommended that extra care be taken to ensure hourly and overtime rates for all employees are properly calculated.

Management Response:

The Business Administrator will ensure that employees' hourly rates are properly calculated.

Finding:

During our review of the Payroll Agency bank account activity it was noted that a summary of Payroll Agency Deposits, payment and balances owed to various agencies is not prepared.

Recommendation:

It is recommended that a summary of Payroll Agency bank account deposits, payments and balances owed to various agencies is prepared on a monthly basis.

Management Response:

A summary of Payroll Agency bank account deposits, payments and balances owed to various agencies will be prepared on a monthly basis.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made on a test basis as of June 30, for proper classification of orders as reserve for encumbrances and accounts payable.

Classification of Expenditures – General and Administrative

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6:23A-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, we also reviewed 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 errors were noted and no additional procedures were deemed necessary to test the propriety of expenditure classifications.

WATCHUNG BOROUGH SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2020

Financial Planning, Accounting and Reporting (Cont'd)

Board Secretary's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Board Secretary's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted below.

During our review of the Board Secretary's records it was also noted that the June 2020 Board Secretary's report was not submitted to County Superintendent before the August 1st deadline. As the December 2019 Board Secretary's report was submitted timely and the June 2020 relatively timely, no formal recommendation is deemed necessary at this time.

Transfer Approvals

Finding:

The District did not obtain County Superintendent approval for budget transfers where required as per State guidelines.

Recommendation:

It is recommended that the District obtain County Superintendent approval for budget transfers where required as per State guidelines.

Management's Response:

The District will ensure to obtain County Superintendent approval for budget transfers where required as per State guidelines.

Treasurer's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Treasurer's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted below.

During our review of the Treasurer's records it was noted that the General Fund bank reconciliation contains checks outstanding for over six months which require further review and investigation for proper disposition. As the total amount of these outstanding checks is not significant, a formal recommendation is judged to be unnecessary at this time.

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

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

WATCHUNG BOROUGH SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2020

Other Special Federal and/or State Projects

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

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

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

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for 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 T.P.A.F. Reimbursement to the State for Federal Salary Expenditures was remitted to the State of New Jersey prior to the required deadline of October 1, 2020. The reimbursement form was reviewed and no exceptions were noted.

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, 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 quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L.1971, c. 198 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 a 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 or 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.A. 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"

N.J.S.A. 18A:18A-4 states, "Every contract for the provision or 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 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent),

WATCHUNG BOROUGH SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

School Purchasing Programs (Cont'd)

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

respectively. The law regulating bidding for public school student transportation contracts under *N.J.S.A. 18A:39-3* is currently \$19,000.

As per *N.J.S.A. 18A:18A-3(a)*, the Board passed a resolution authorizing the Business Administrator as a qualified purchasing agent and increasing the bid threshold to \$40,000.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the 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. General compliance was noted.

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

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.

School Food Service – Milk Program

The school food service program was not selected as a major federal and/or state program. We inquired of school management, or the appropriate school food service personnel, as to whether the 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.

Non-program foods were not purchased, prepared or offered for sale.

WATCHUNG BOROUGH SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

School Food Service – Milk Program (Cont'd)

Finding:

During our review of the school District records it was noted that net cash resources of the Food Service Fund exceeded three months average expenditures by approximately \$6,500.

Recommendation:

It is recommended that the Food Service Fund net cash resources do not exceed three months average expenditures.

Management Response:

The District will review the Food Service Fund expenses and ensure net cash resources do not exceed three months average expenditures by allocating additional expenses to the Food Service Fund.

Student Body Activities

In planning and performing our audit of the financial statements of the Board, we considered the condition of the records of the Student Activities Fund for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments.

Application for State School Aid

Our audit procedures included a test of enrollments and related services reported in the October 15, 2019 Application for State School Aid (A.S.S.A.) for on-roll, bilingual education, private schools for the handicapped, and low income. We also performed a review of the District procedures related to its completion. The results of our procedures are presented in the Schedule of Audited Enrollments.

Finding:

During our review of enrollment reported on the October 15, 2019 Application for State School Aid it was noted that the on-roll registers did not agree to what was reported on the application. Errors were also noted in the number of low income resident students and resident LEP not low income students reported on the Application for State School Aid.

Recommendation:

It is recommended that extra care be taken to ensure that student enrollment data by grade level and low income and resident LEP not low income student counts are accurately reflected on the Application for State School Aid.

Management Response:

Administration will ensure that the District student enrollment data by grade level and low income and resident LEP not low income student counts are accurately reflected on the Application for State School Aid.

WATCHUNG BOROUGH SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCALYEAR ENDED JUNE 30, 2020
(Continued)

Application for State School Aid (Cont'd)

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

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 information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

Travel Expense and Reimbursement Policy

Travel regulations require each District to adopt a formal policy and procedure pertaining to travel and travel expense reimbursement for its employees and board members. The regulations require the District to establish a maximum travel amount for the year and to account for these expenses within a separate account in the budget to ensure that the maximum is not exceeded. The regulations also require that all travel be approved by the Board prior to the event and that the approval list the event, total event cost and the individuals attending. Employees and board members attending an event are then required to complete a post event report to be submitted to a designated person within the District.

During our testing of the District's travel expenditures, we noted the following.

Finding:

A post event report was not obtained for one of four travel reimbursement expenditures tested.

Recommendation:

It is recommended that post event reports for travel events be obtained as per State travel regulations.

Management Response:

Administration will ensure that post event reports for travel events will be obtained in order to ensure compliance with State travel regulations.

Testing for Lead of All Drinking Water in Educational Facilities

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

WATCHUNG BOROUGH SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2020
(Continued)

Management Suggestions

Governmental Accounting Standards Board (GASB) Statements

Due to COVID-19, the GASB postponed the implementation of GASB Statement No. 84, *Fiduciary Activities*, until the fiscal year ended June 30, 2021. Based on guidance from the NJ Department of Education and GASB, the activity for student activities, payroll agency, unemployment compensation trust, flexible spending trust and private purpose scholarship trust funds will no longer be reported in the Fiduciary Fund financial statements. This activity will now be reported in the General (payroll agency, flexible spending and unemployment compensation) and Special Revenue (student activities and scholarship) Funds.

Effect on Internal Controls due to COVID-19

With the increase in employees working remotely due to COVID-19 especially those in the Business Office it is vital that the District routinely reviews the internal controls in place especially with respect to security of passwords as well as access rights to accounting software and bank information including bank wire transfers and the timely back-up of records.

Status of Prior Year's Findings/Recommendations

The District prior year recommendations with regard to employees being paid in accordance with their approved contract, the maintenance of the general ledger, interfund balances and student activity receipt journals have been resolved. The District prior year recommendations with regard to prior Board approval and post event reports, and adjustments to the Treasurer's report have been partially resolved. The prior year recommendations with regard to School Food Service Net Cash Resources, the Application for State School Aid, County Superintendent transfer approvals have not been resolved and are included as current year recommendations.

WATCHUNG BOROUGH SCHOOL DISTRICT
SCHEDULE OF MILK COUNT ACTIVITY
FOOD SERVICE FUND
NUMBER OF MILKS SERVED
ENTERPRISE FUND
FISCAL YEAR ENDED JUNE 30, 2020
(MEMORANDUM ONLY)

NOT APPLICABLE

WATCHUNG BOROUGH SCHOOL DISTRICT
SCHEDULE OF NET CASH RESOURCES
FOOD SERVICE FUND
ENTERPRISE FUND
FISCAL YEAR ENDED JUNE 30, 2020
(MEMORANDUM ONLY)

NOT APPLICABLE

WATCHUNG BOROUGH SCHOOL DISTRICT
 SCHEDULE OF AUDITED ENROLLMENTS
 APPLICATION FOR STATE SCHOOL AID SUMMARY
 ENROLLMENT AS OF OCTOBER 15, 2019

	2020-2021 Application for State School Aid				Sample for Verification							
	Reported on		Reported on		Sample		Verified per		Errors per			
	On Roll	Shared	On Roll	Shared	Workpapers	Shared	On Roll	Shared	Registers	on Roll		
Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	
Full Day Preschool 3 Years Old	16		11		-5		11		11			
Full Day Preschool 4 Years Old	10		4		-6		4		4			
Full Day Kindergarten	63		54		-9		54		54			
Grade One	60		61		1		61		61			
Grade Two	49		47		-2		47		47			
Grade Three	58		54		-4		54		54			
Grade Four	52		49		-3		49		49			
Grade Five	47		44		-3		44		44			
Grade Six	58		56		-2		56		56			
Grade Seven	64		66		2		66		66			
Grade Eight	55		55				55		55			
Subtotal	532		501		-31		501		501			
Special Education:												
Elementary School	41		64		23		13		13			
Middle School	50		35		-15		7		7			
Subtotal	91		99		8		20		20			
Totals	623	-0-	600	-0-	-23	-0-	521	-0-	521	-0-	-0-	-0-
Percentage Error					-3.69%	0.00%				0.00%	0.00%	0.00%

WATCHUNG BOROUGH SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019

	<u>Resident Low Income</u>					
	<u>Reported on ASSA as Low Income</u>	<u>Reported on Workpapers as Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Grade One		1	1	1	1	
Grade Three	1		-1			
Grade Four	1	1		1	1	
Grade Five	1		-1			
Subtotal	<u>3</u>	<u>2</u>	<u>-1</u>	<u>2</u>	<u>2</u>	
Totals	<u>3</u>	<u>2</u>	<u>-1</u>	<u>2</u>	<u>2</u>	<u>-0-</u>
Percentage Error			<u>-33.33%</u>			<u>0.00%</u>

WATCHUNG BOROUGH SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019

Resident LEP Not Low Income						
	Reported on ASSA as LEP Not Low Income	Reported on Workpapers as LEP Not Low Income	Errors	Sample Selected from Workpapers	Verified to Test Scores Application and Register	Sample Errors
Grade One	2	4	2	3	3	
Grade Three		2	2	1	1	
Grade Four	1		(1)			
Grade Six	1	1		1	1	
Subtotal	<u>4</u>	<u>7</u>	<u>3</u>	<u>5</u>	<u>5</u>	
Special Education:						
Elementary School	1	3	2	2	2	
Subtotal	<u>1</u>	<u>3</u>	<u>2</u>	<u>2</u>	<u>2</u>	
Totals	<u>5</u>	<u>10</u>	<u>5</u>	<u>7</u>	<u>7</u>	<u>-0-</u>
Percentage Error			<u>100.00%</u>			<u>0.00%</u>

WATCHUNG BOROUGH SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2019

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	271	271		25	25	
Regular - Special Education	55	55		6	6	
AIL - Non Public	39	39		5	5	
Special Needs - Public	21	21		2	2	
Special Needs - Private	3	3		1	1	
Totals	389	389	-0-	39	39	-0-
Percentage Error			0.00%			0.00%

	Reported	Re- calculated
Average Mileage - Regular Including Grade PK Students	3.7	3.7
Average Mileage - Regular Excluding Grade PK Students	3.7	3.7
Average Mileage - Special Education with Special Needs	5.7	5.7

WATCHUNG BOROUGH SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FISCAL YEAR ENDED JUNE 30, 2020

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2019-2020 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ 14,956,106 (B)	
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	\$ -0- (B1a)	
Transfer from Capital Reserve to Capital Projects Fund	<u>-0- (B1b)</u>	
Decreased by:		
On-Behalf TPAF Pension and Social Security	\$ 1,771,867 (B2a)	
Assets Acquired Under Capital Leases	<u>-0- (B2b)</u>	
Adjusted 19-20 General Fund Expenditures [(B)+(B1's)-(B2's)]	<u>\$ 13,184,239 (B3)</u>	
2% of Adjusted 2019-20 General Fund Expenditures [(B3) times .02]	<u>\$ 263,685 (B4)</u>	
Enter Greater of (B4) or \$250,000	<u>\$ 263,685 (B5)</u>	
Increased by: Allowable Adjustment	<u>\$ 174,360 (K)</u>	
Maximum Unassigned Fund Balance [(B5)+(K)]		<u>\$ 438,045 (M)</u>

SECTION 2

Total General Fund - Fund Balances @ 6/30/20 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 2,098,416 (C)	
Decreased by:		
Year End Encumbrances	\$ 174,740 (C1)	
Legally Restricted - Designated for Subsequent Year's Expenditures	<u>-0- (C2)</u>	
Legally Restricted Excess Surplus -		
Designated for Subsequent Year's Expenditures	<u>\$ 155,285 (C3)</u>	
Other Restricted Fund Balances	<u>\$ 1,120,675 (C4)</u>	
Assigned - Designated for Subsequent Year's Expenditures	<u>-0- (C5)</u>	
Additional Assigned - Designated for Subsequent Year's Expenditures July 1, 2020 - August 1, 2020	<u>\$ 48,836 (C6)</u>	
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]		<u>\$ 598,880 (U1)</u>

WATCHUNG BOROUGH SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FISCAL YEAR ENDED JUNE 30, 2020

SECTION 3

Restricted Fund Balance - Excess Surplus [(U2)-(M)] IF NEGATIVE, ENTER -0-	<u>\$ 160,835 (E)</u>
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Recapitulation of Excess Surplus as of June 30, 2020

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures	<u>\$ 155,285 (C3)</u>
Restricted Excess Surplus [(E)]	<u>\$ 160,835 (E)</u>

Total [(C3)+(E)]	<u>\$ 316,120 (D)</u>
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Detail of Allowable Adjustments

Impact Aid	<u>\$ -0- (H)</u>
Sale and Lease Back	<u>\$ -0- (I)</u>
Extraordinary Aid	<u>\$ 174,360 (J1)</u>
Additional Nonpublic School Transportation Aid	<u>\$ -0- (J2)</u>

Total Adjustments ((H)+(I)+(J1)+(J2))	<u>\$ 174,360 (K)</u>
---------------------------------------	-----------------------

Detail of Other Restricted Fund Balance

Statutory restrictions:	
Approved unspent separate proposal	<u>\$ -0-</u>
Sale/lease-back reserve	<u>\$ -0-</u>
Capital reserve	<u>\$ -0-</u>
Maintenance reserve	<u>\$ 1,120,675</u>
Tuition reserve	<u>\$ -0-</u>
Other state/governmental mandated reserve	<u>\$ -0-</u>
Total Other Restricted Fund Balance	<u>\$ 1,120,675(C4)</u>

WATCHUNG BOROUGH SCHOOL DISTRICT
SUMMARY OF RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2020

It is recommended that:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

- a) Hourly and overtime rates for all employees are properly calculated.
- b) The District obtain County Superintendent approval for all required transfers as per State guidelines.
- c) A summary of Payroll Agency bank account deposits, payments and balances owed to various agencies is prepared on a monthly basis.

3. School Purchasing Program

None

4. School Food Service

The Food Service Fund net cash resources do not exceed three months average expenditures.

5. Student Body Activities

None

6. Application for State School Aid

Extra care be taken to ensure that student enrollment data by grade level and low income and resident LEP not low income student counts are accurately reflected on the Application for State School Aid.

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

Post event reports for travel events be obtained as per State travel regulations.

WATCHUNG BOROUGH SCHOOL DISTRICT
SUMMARY OF RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2020

10. Status of Prior Year's Findings/Recommendations

The District prior year recommendations with regard to employees being paid in accordance with their approved contract, the maintenance of the general ledger, interfund balances and student activity receipt journals have been resolved. The District prior year recommendations with regard to prior Board approval and post event reports, and adjustments to the Treasurer's report have been partially resolved. The prior year recommendations with regard to School Food Service Net Cash Resources, the Application for State School Aid, County Superintendent transfer approvals have not been resolved and are included as current year recommendations.