



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

**AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS –
FINANCIAL, COMPLIANCE AND PERFORMANCE
FOR THE FISCAL YEAR ENDED
JUNE 30, 2021**

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

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

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INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Division of Finance, Department of Education, State of New Jersey, the basic financial statements of the Township of Edison School District in the County of Middlesex for the year ended June 30, 2021, and have issued our report thereon dated March 15, 2022.

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

This report is intended for the information of the Township of Edison Board of Education's management, Board of Education members, others within the entity, and the New Jersey Department of Education and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

PKF O'Connor Davies, LLP

March 15, 2022
Cranford, New Jersey

A handwritten signature in blue ink, appearing to read "A.G. Hodulik".

Andrew G. Hodulik
Licensed Public School Accountant, No. 841

ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING

Scope of Audit

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

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

ADMINISTRATIVE PRACTICES AND PROCEDURES

Insurance

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

Official Bonds

The following positions were covered by Surety Bonds:

Gregory Brennan, Interim Business Administrator/Board Secretary	\$850,000
Ann Kluck, Assistant Business Administrator	850,000
Faithful Performance Blanket Position Coverage	500,000

Tuition Charges

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

FINANCIAL PLANNING, ACCOUNTING AND REPORTING

Examination of Claims

An examination of claims paid during the period under review was performed. No exceptions of substance were noted with respect to the processing of vouchers for those items tested. However, for items tested, three (3) exceptions were noted with respect to the purchase order being created subsequent to the date of the invoice. We suggest that efforts be maintained to avoid the use of confirming orders.

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)

Payroll Account and Position Control Roster

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

Payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/School Business Administrator. Salary withholdings were remitted to the proper agencies, but such remittances were not always on a timely basis. Remittances included health benefits premium amounts withheld due to the general fund.

An inquiry and subsequent review of the Position Control Roster did not identify any inconsistencies between the payroll records, employee benefit records, the general ledger accounts to where wages are posted, and the Position Control Roster.

Reserve for Encumbrances and Accounts Payable

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

Classification of Expenditures

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

Board Secretary's Records

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

Finding 2021-001 (ACFR Finding 2021-001):

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

Recommendation:

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

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)

Board Secretary's Records (continued)

Finding 2021-002 (ACFR Finding 2021-002):

The board secretary did not perform timely or accurate cash reconciliations for the payroll account and the payroll agency account. The bank reconciliations were not in agreement with balances in the general ledger. Finally, a large balance exists in the payroll agency account and is not designated for future payroll payables.

Recommendation:

Each month, the Board Secretary should determine cash balances by performing cash reconciliations for all bank accounts. Additionally, the cash reconciliations should be agreed to the general ledger system. Finally, balances in the payroll agency account that are attributed to future payroll liabilities should be investigated and corrected.

Finding 2021-003 (ACFR Finding 2021-003):

The District transferred funds to the School Administration budget appropriations that on a cumulative basis exceeded 10 percent of the total amount of the original budget for School Administration without proper Executive County Superintendent approval.

Recommendation:

Executive County Superintendent approval should be requested for any transfer to an advertised administrative account [general administration (230), school administration (240), central services (251), or administrative information technology (252)] that is cumulatively more than 10 percent of that amount. The district should maintain documentation that substantiates the request was received by the Executive County Superintendent when written approval is not received.

Fixed Asset Reporting System

The District had a third-party inventory company review and update the fixed asset report for the June 30, 2021 year end.

Workers Compensation Internal Service Fund

As disclosed in the Notes to Financial Statements contained in the District's ACFR, the District maintains a self-insurance fund for its compensation claims prior to July 1, 2011. The District has recorded in full its estimated liability for reported claims at June 30, 2021 in the amount of \$200,000 within the estimated liability reserve. The District has converted its Workers' Compensation coverage to a traditional risk transfer premium program beginning July 1, 2011.

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

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the ACFR. This section of the ACFR documents the financial position pertaining to the projects under Titles I and VI of the Elementary and Secondary School Improvement Act, as amended and reauthorized.

The study of compliance for E.S.E.A. indicated there are no areas of noncompliance and/or questionable costs, however internal controls should be strengthened over eligibility for the program.

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)

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

Finding 2021-004 (ACFR Finding 2021-005):

During our testing, we noted documentation was present for placement of students into the Title I-A program, however it was not always consistent. At times, the eligibility is determined by a teacher's recommendation, but the recommendations were not retained for evidence of approval.

Recommendation:

The District should strengthen internal controls related to eligibility of the Title 1-A program to provide evidence of oversight and documentation of approval for eligibility.

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 ACFR.

The examination of the Federal and State funds, on a test basis, indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

Finding 2021-005:

The District advances nonpublic state aid to the Middlesex County Educational Services Commission prior to the actual expenditure of funds by the Commission on behalf of the District. As a result, often times this causes the Commission to owe funds back to the District at the close of the year for funds that were advanced but not expended.

Recommendation:

We suggest the District remit grant funds received to the Commission upon the actual expenditure of funds by the Commission on behalf of the District and the invoicing of same by the Commission to the District.

Finding 2021-006 (ACFR Finding 2021-001):

As required by the N.J. State Department of Education, based upon federal reporting requirements, the District submits expenditure reporting to the State of New Jersey, which reporting differs in timing from the District's financial statement reporting period. No reconciliation is provided to agree these grant reports to the general ledger activity incurred during the District's fiscal year. Numerous entries were required to reconcile the federal, state and local grants to the underlying supporting records.

Recommendation:

It is recommended the federal, state and local grant general ledger activity be reconciled to the underlying supporting records for each grant.

T.P.A.F. Reimbursement

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

FINANCIAL PLANNING, ACCOUNTING AND REPORTING (CONTINUED)

T.P.A.F. Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Reports 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.

SCHOOL PURCHASING PROGRAMS

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2020 and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$44,000 (with a Qualified Purchasing Agent) and \$32,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$19,600 for 2020-2021.

The District 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.

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

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

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

OTHER MATTERS

School Food Service Fund COVID-19 Emergency

In accordance with the Governor's Declaration of Emergency pertaining to the COVID 19 Virus all Public, Charter, Non-Public schools were ordered to close effective as of March 18, 2020 for an undetermined period to limit the spread of the virus. As a result, School Food Authorities (SFAs) were required to institute alternate procedures to provide meals to eligible students during the period of school closures.

During SY 2020-2021, the public health emergency was still applicable. As a result, School Food Authorities (SFAs) were required to provide meals in accordance with the regulations governing the National School Nutrition Seamless Summer Option (SSO) or the Summer Food Service Program (SFSP) option.

OTHER MATTERS (CONTINUED)

School Food Service Fund (continued)

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 all children throughout the age of 18, as well as persons over 18 with disabilities as defined in the regulations.

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 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.

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.

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

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

We inquired of management about the public health emergency procedures/practices that the SFA instituted to provide meals to all 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. We also inquired if the FSMC received a loan in accordance with the Payroll Protection Plan and whether the funds were used to pay for costs applicable to the Food Service Programs. We also inquired if the PPP loan was subsequently forgiven and the FSMC refunded or credited the applicable amounts to the SFA.

Student Activity and Athletic Funds

The recordkeeping of the various student activities funds was reviewed for the current school year. The District has adopted a policy that outlines the acceptable procedures for the processing of expenses for the school principals.

OTHER MATTERS (CONTINUED)

Student Activity and Athletic Funds (continued)

Finding 2021-007 (ACFR Finding 2021-002):

It was noted that bank reconciliations for high school and athletic accounts were not performed in a timely manner. The high school student activity club balances in the subledger were not reconciled to the high school cash account balance.

Recommendation:

High school and Athletic accounts bank reconciliations should be performed and reviewed in a timely manner. The balances of high school subaccounts should be maintained accurately. Finally, the student activity club balances in the general ledger system should be reconciled to the cash balances to ensure they agree.

Application for State School Aid

Audit procedures included a test of information reported in the October 15, 2020 Applications for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low income and bilingual. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers, with exceptions.

Finding 2021-008 (ACFR Finding 2021-004):

The ASSA submission underclaimed two students for on roll, underclaimed 13 students for on roll low income and overclaimed one student for LEP not low income.

The verification samples also had instances of issues. One exception was noted for the private school for the disabled testing, resulting in a student that was incorrectly claimed on the ASSA submission. It was noted in the verification sample that five free/reduced lunch applications could not be located for students enrolled in the free/reduced lunch program. Due to the pandemic, the New Jersey Department of Education allowed lunch applications from the prior year to be utilized, however the lunch applications could not be located for the current or prior year. Additionally, twelve applications were incorrectly approved for the free/reduced lunch program that did not qualify as low income. Finally, four LEP low income students noted in the verification sample were incorrectly classified as low income due to computational errors on their lunch applications. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

Recommendation:

We suggest that the District strengthen procedures to ensure that all students reported on the ASSA can be traced to the proper documentation and that the oversight of the free/reduced applications be increased to reduce computational errors related to program eligibility.

Pupil Transportation

Our procedures included a test of on-roll status reported in the 2020-2021 District Report of Resident Transported Students (DRTRS). The information included on the DRTRS was verified to the DRTRS Eligibility Summary Report with the following exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

OTHER MATTERS (CONTINUED)

Pupil Transportation (continued)

Finding 2021-009:

During our review of the District's DRTRS, one (1) Regular Public School student that were reported on the DRTRS was not included in the District's attendance records. Also, the District was unable to provide the required forms (B6T, B7T, B8T) for nineteen (19) Aid in Lieu students.

Recommendation:

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

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.

Testing for Lead of All Drinking Water in Educational Facilities

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

Follow-up on Prior Year's Findings

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year's recommendations. Findings with respect to the timely reconciliation of payroll and payroll agency bank accounts, the accurate postings to the general ledger, and the tracing of students reported on the DRTRS to school attendance registers and required forms have not been corrected and are repeated as findings 2021-001, 2021-002 and 2021-009.

ACKNOWLEDGMENT

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

SCHEDULE OF AUDITED ENROLLMENTS

**EDISON TOWNSHIP BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2020**

	2021-2022 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected From Workpapers		Verified per Registers On Roll		Errors		Reported on A.S.S.A. Private Schools	Sample for Verifi- cation	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool	24		24		0	0	0		0		0	0				
Half Day Kindergarten	909		909		0	0	18		18		0	0				
One	1,104		1,104		0	0	21		21		0	0				
Two	1,162		1,162		0	0	22		22		0	0				
Three	1,283		1,283		0	0	25		25		0	0				
Four	1,220		1,220		0	0	24		24		0	0				
Five	1,224		1,224		0	0	24		24		0	0				
Six	1,222		1,222		0	0	24		24		0	0				
Seven	1,224		1,224		0	0	24		24		0	0				
Eight	1,257		1,257		0	0	24		24		0	0				
Nine	1,131		1,131		0	0	22		22		0	0				
Ten	1,096		1,096		0	0	21		21		0	0				
Eleven	1,036		1,036		0	0	20		20		0	0				
Twelve	1,113		1,113		0	0	21		21		0	0				
Subtotals	15,005	0	15,005	0	0	0	290		290		0	0				
Special Ed - Elementary	762		762		0	0	15		15		0	0	6	5	5	0
Special Ed - Middle School	327	1	327	1	0	0	6	1	6	1	0	0	12	9	9	0
Special Ed - High School	371	5	373	5	-2	0	7	4	7	4	0	0	43	33	32	1
Subtotals	1,460	6	1,462	6	-2	0	28	5	28	5	0	0	61	47	46	1
Totals	16,465	6	16,467	6	-2	0	318	5	318	5	0	0	61	47	46	1
Percentage Error					<u>-0.01%</u>	<u>0.00%</u>					<u>0.00%</u>	<u>0.00%</u>				<u>2.13%</u>

SCHEDULE OF AUDITED ENROLLMENTS

**EDISON TOWNSHIP BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2020**

	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 Bilingual Education	Reported on Workpapers As Bilingual Education	Sample Errors	Sample Selected from Work papers	Verified to Test Score and Register	Sample Errors
	Pre K	1	1	0			0	6	6	0		
Kindergarten	81	81	0	9	9	0	0	0	0	2	2	0
One	137	137	0	14	13	1	20	20	0	8	8	0
Two	173	173	0	18	18	0	16	16	0	6	6	0
Three	175	175	0	18	15	3	9	9	0	3	3	0
Four	164	164	0	17	17	0	10	10	0	4	4	0
Five	167	167	0	17	17	0	11	11	0	4	3	1
Six	191	191	0	21	18	3	9	9	0	3	2	1
Seven	226	226	0	23	22	1	11	11	0	4	4	0
Eight	213	213	0	23	23	0	8	8	0	3	3	0
Nine	194	194	0	20	19	1	12	12	0	5	5	0
Ten	203	209	-6	21	20	1	24	24	0	9	9	0
Eleven	194	195	-1	20	18	2	15	15	0	6	6	0
Twelve	220	225	-5	23	22	1	17	17	0	6	6	0
Subtotals	2,339.0	2,351.0	-12.0	244	231	13	168	168	0	63	61	2
Sp Ed - Elementary	179	179	0	19	17	2	6	6	0	2	2	0
Sp Ed - Middle School	130	130	0	14	13	1	1	1	0	1	1	0
Sp Ed - High School	134	135	-1	14	13	1	1	1	0	0	0	0
Subtotals	443	444	-1	47	43	4	8	8	0	3	3	0
Totals	2,782.0	2,795.0	-13.0	291	274	17	176	176	0	66	64	2
Percentage Error			-0.47%			5.84%			0.00%			3.03%

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools	4352	4352	0	228	227	1
Reg. - Sp. Ed.	434	434	0	23	23	0
Transported - Non-Public	0	0	0	0	0	0
Sp. Ed. - Special Needs	444	444	0	23	23	0
AIL	725	725	0	38	19	19
Totals	5955	5955	0	312	292	20
Percentage Error						6.85%

	Reported	Recalculated
Reg Avg.(Mileage) = Regular Including Grade PK students (Part A)	3.8	3.8
Reg Avg.(Mileage) = Regular Excluding Grade PK students (Part B)	3.8	3.8
Spec Avg. = Special Ed with Special Needs	3.2	3.2

SCHEDULE OF AUDITED ENROLLMENTS

**EDISON TOWNSHIP BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2020**

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. As Bilingual Education</u>	<u>Reported on Workpapers As Bilingual Education</u>	<u>Sample Errors</u>	<u>Sample Selected from Work papers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Pre K			0			0
Kindergarten	48	48	0	18	18	0
One	0	0	0	24	24	0
Two	63	63	0	16	16	0
Three	42	42	0	14	14	0
Four	38	38	0	7	7	0
Five	20	20	0	9	9	0
Six	23	23	0	7	7	0
Seven	18	18	0	6	6	0
Eight	16	16	0	10	10	0
Nine	28	28	0	6	6	0
Ten	15	15	0	4	4	0
Eleven	10	10	0	4	4	0
Twelve	11	11	0	3	3	0
	<u>8</u>	<u>8</u>	<u>0</u>			
Subtotals	<u>340</u>	<u>340</u>	<u>0</u>	<u>128</u>	<u>128</u>	<u>0</u>
Sp Ed - Elementary	6	5	1	2	2	0
Sp Ed - Middle School	0	0	0	0	0	0
Sp Ed - High School	3	3	0	1	1	0
	<u>9</u>	<u>8</u>	<u>1</u>			
Subtotals	<u>9</u>	<u>8</u>	<u>1</u>	<u>3</u>	<u>3</u>	<u>0</u>
Totals	<u>349</u>	<u>348</u>	<u>1</u>	<u>131</u>	<u>131</u>	<u>0</u>
Percentage Error			<u>0.29%</u>			<u>0.00%</u>

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

EXCESS SURPLUS CALCULATION

YEAR ENDED JUNE 30, 2021

SECTION 1 - REGULAR DISTRICT

A. 4% Calculation of Excess Surplus

2020-2021 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>305,204,965</u> (B)
Increased by:	
Transfer from Capital Outlay to Capital Projects Fund	\$ _____ (B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____ (B1b)
Transfer from General Fund to SRF for PreK-Regular	\$ _____ (B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$ _____ (B1d)
Decreased by:	
On-Behalf TPAF Pension/Medical & Social Security	\$ <u>51,139,815</u> (B2a)
Assets Acquired Under Capital Leases	\$ <u>5,114,761</u> (B2b)
 Adjusted 2020-2021 General Fund Expenditures ((B)+(B1s)-(B2s))	 \$ <u><u>248,950,389</u></u> (B3)
 4% of Adjusted 2020-2021 General Fund Expenditures ((B3) times .04)	 \$ <u>9,958,016</u> (B4)
Enter Greater of (B4) or \$250,000	\$ <u>9,958,016</u> (B5)
Increased by: Allowable Adjustment*	\$ <u>3,643,669</u> (K)
 Maximum Unreserved/Undesignated Fund Balance ((B5)+(K))	 \$ <u><u>13,601,685</u></u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/21 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>52,562,200</u> (C1)
Decreased by:	
Reserve for Encumbrances	\$ _____ (C1)
Legally Restricted -Designated for Subsequent Year's Expenditures	\$ <u>2,412,876</u> (C2)
Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ <u>5,349,840</u> (C3)
Other Restricted Fund Balances****	\$ <u>30,536,313</u> (C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ _____ (C5)
 Total Unassigned Fund Balance ((C)-(C1)-(C2)-(C3)-(C4)-(C5))	 \$ <u>14,263,171</u> (U1)

SECTION 3

Restricted Fund Balance-Excess Surplus ***((U1-(M)) If negative enter -0- \$ 661,486 (E)

Recapitulation of Excess Surplus as of June 30, 2021

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ <u>5,349,840</u> (C3)
Reserved Excess Surplus***(E)	\$ <u>661,486</u> (E)
Total Excess Surplus ((C3) +(E))	\$ <u><u>6,011,326</u></u> (D)

Footnotes:

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

- (H) Federal Impact Aid. The passage of P.L.2015, c.46 amended N.J.S.A. 18A:7F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general fund. Accordingly, effective for the year ending June 30, 2020 the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve - General (8002 or 8003) by board resolution during June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4);
- (I) Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10);
- (J1) Extraordinary Aid;
- (J2) Additional Nonpublic School Transportation Aid;
- (J3) Recognized current year School Bus Advertising Revenue; and
- (J4) Family Crisis Transportation Aid.

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

Detail of Allowable Adjustments

Impact Aid	\$ _____ (H)
Sale & Lease-back	\$ _____ (I)
Extraordinary Aid	\$ <u>3,643,669</u> (J1)
Additional Nonpublic School Transportation Aid	\$ _____ (J2)
Current Year School Bus Advertising Revenue Recognized	\$ _____ (J3)
Family Crisis Transportation Aid	\$ _____ (J4)
Total Adjustments ((H)+(I)+(J1)+(J2)+(J3)+(J4))	\$ <u>3,643,669</u> (K)

** This amount represents the June 30, 2021 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

*** Amount must agree to the June 30, 2021 CAFR and must agree to Audit Summary Line 90030.

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

Detail of Other Reserved Fund Balance

Statutory restrictions:	
Approved unspent seperate proposal	\$ _____
Sale/lease-back reserve	\$ _____
Capital Reserve	\$ <u>27,597,420</u>
Maintenance Reserve	\$ <u>1,333,243</u>
Emergency Reserve	\$ <u>1,000,000</u>
Tuition Reserve	\$ _____
School Bus Advertsiiing 50% Fuel Offset Reserve - current year	\$ _____
School Bus Advertsiiing 50% Fuel Offset Reserve - prior year	\$ _____
Impact Aid General Fund Reserve (Sections 8002 and 8003)	\$ _____
Impact Aid Capital Fund Reserve (Sections 8007 and 8008)	\$ _____
Reserve for Unemployment	\$ <u>605,650</u>
Other state/government mandated reserve	\$ _____
(Other Reserved Fund Balance not noted above)****	\$ _____
 Total Other Reserved Fund Balance	 \$ <u>30,536,313</u> (C4)

EDISON TOWNSHIP SCHOOL DISTRICT
AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

2021-001 Postings to the general ledger should be made accurately and budgetary-basis trial balances should be maintained complete in all respects.

2021-002 Each month, the Board Secretary should determine cash balances by performing cash reconciliations for all bank accounts. Additionally, the cash reconciliations should be agreed to the general ledger system. Finally, balances in the payroll agency account that are attributed to future payroll liabilities should be investigated and corrected.

2021-003 Executive County Superintendent approval should be requested for any transfer to an advertised administrative account [general administration (230), school administration (240), central services (251), or administrative information technology (252)] that is cumulatively more than 10 percent of that amount. The district should maintain documentation that substantiates the request was received by the Executive County Superintendent when written approval is not received.

2021-004 The District should strengthen internal controls related to eligibility of the Title 1-A program to provide evidence of oversight and documentation of approval for eligibility.

2021-005 We suggest the District remit grant funds received to the Commission upon the actual expenditure of funds by the Commission on behalf of the District and the invoicing of same by the Commission to the District.

2021-006 It is recommended the federal, state and local grant general ledger activity be reconciled to the underlying supporting records for each grant.

3. School Purchasing Programs

None

4. School Food Service

None

5. Student Activities

2021-007 High school and Athletic accounts bank reconciliations should be performed and reviewed in a timely manner. The balances of high school subaccounts should be maintained accurately. Finally, the student activity club balances in the general ledger system should be reconciled to the cash balances to ensure they agree.

6. Application for State School Aid

2021-008 We suggest that the District strengthen procedures to ensure that all students reported on the ASSA can be traced to the proper documentation and that the oversight of the free/reduced applications be increased to reduce computational errors related to program eligibility.

EDISON TOWNSHIP SCHOOL DISTRICT
AUDIT RECOMMENDATIONS SUMMARY (CONTINUED)
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

7. Pupil Transportation

2021-009 We suggest that the District strengthen procedures to ensure that all students reported on the DRTRS can be traced to the school attendance registers and that all required forms are properly retained.

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

Findings with respect to the timely reconciliation of payroll and payroll agency bank accounts, the accurate postings to the general ledger, and the tracing of students reported on the DRTRS to school attendance registers and required forms have not been corrected and are repeated as findings 2021-001, 2021-002 and 2021-009.