

MIDDLETOWN TOWNSHIP SCHOOL DISTRICT

Middletown, New Jersey
County of Monmouth

**Auditor's Management Report on Administrative Findings -
Financial, Compliance and Performance
YEAR ENDED JUNE 30, 2021**

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**MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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

Honorable President and Members
of the Board of Education
Middletown Township School District
County of Monmouth
Middletown, New Jersey 07748

We have audited, in accordance with generally accepted audit standards and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Middletown Township School District in the County of Monmouth for the year ended June 30, 2021, and have issued our report thereon dated March 11, 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 Middletown Township 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,

HOLMAN FRENIA ALLISON, P.C.

Matthew Holman
Certified Public Accountant
Public School Accountant, No. 20CS00260100

Lakewood, New Jersey
March 11, 2022

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**ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

Scope of Audit

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

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

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Amy P. Doherty, CPA	Board Secretary/School Business Administrator	\$ 600,000

There is a Public Employee's Faithful Performance Blanket Position Bond with the New Jersey School Board Association Insurance Group covering all other employees with multiple coverage of \$100,000 each person/\$50,000 per loss.

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 cost in accordance with *N.J.A.C.6A:23A-17.1(f)3*.

Financial Planning, Accounting and Reporting

Examination of Claims

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

Payroll Account

The net salaries of sampled employees of the board were deposited in the Payroll Account. Employee's payroll deductions and 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 School Business Administrator/Board Secretary.

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

Payrolls were delivered to the secretary of the board who then deposited with warrants in separate bank accounts for net payroll and withholdings.

Employee Position Control Roster

A sample inquiry and subsequent review of the Position Control Roster found no inconsistencies between the payroll records, employee benefit records (e.g. pension reports and health benefit coverage reports), the general ledger accounts to where wages are posted (administrative versus instruction), and the Position Control Roster.

Reserve for Encumbrances and Accounts Payable

A sample of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable. No exceptions were noted.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23 A-16.29(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of a sample 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. As a result of the procedures performed, a transaction error rate of 0% percent overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

Our review of the financial and accounting records maintained by the board secretary were found to be in satisfactory condition.

Treasurer's Records

The School District does not maintain a Treasurer.

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (I.A.S.A.) as Reauthorized by the No Child Left Behind Act of 2001.

The E.S.E.A. / N.C.L.B. 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, II and III of the Elementary and Secondary Education Act as amended and reauthorized.

T.P.A.F. Reimbursement

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

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

The amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the school district to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 90 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

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 school contracts in general is available on the website: <http://www.state.nj.us/dca/divisions/dlgs/programs/lpcl.html>

Current statute is posted on the New Jersey Legislature website at: https://www.nj.gov/dca/divisions/dlgs/programs/lpcl_docs/Contracting%20Threshold%20Tables.pdf

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 \$19,600 for 2020-21.

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

Based on the results of our tests on sample basis, we did not note any 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.

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

School Food Service

In accordance with the Governor's Declaration of Emergency pertaining to the public health emergency 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 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.

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 students during the emergency.

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

Cash receipts and bank records were reviewed for timely deposit.

School Food Service (Continued)

The district utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34 and 19-1 through 19-4.1. Provisions of the FSMC Cost Reimbursable Fixed Price contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will return a profit of at least \$180,000. Due to COVID-19 the School District and the FSMC renegotiated the operating results guarantee to \$130,890. The operating results provision has been met. All vendor discounts, rebates, and credits from vendors and/or the FSMC were tracked and credited to the Food Service Account and reconciled to supporting documentation at least annually.

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

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service.

The SFA recorded and maintained separate supporting documentation for additional costs (food, supplies, transportation, etc.) applicable to the implementation of the COVID-19 meal service under the SSO or SFSP program requirements.

The FSMC did apply for and receive a loan in accordance with the Payroll Protection Plan and did use the funds to pay for costs applicable to the Food Service Programs. The PPP loan was subsequently forgiven and the FSMC did refund or credit the applicable amounts to the SFA.

Net cash resources did not exceed three months average expenditures.

Time sheets were reviewed, and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the board of education/board of trustees. No exceptions were noted.

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

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications/or to the list of directly certified students on file, times the number of operating days, on a school-by-school basis. The free and reduced price meal and free milk policy was reviewed for uniform administration throughout the school system. Sites approved to participate in Provisions I and II were examined for compliance with all counting and claiming requirements. The required verification procedures for free and reduced price applications were completed and available for review.

USDA Food Distribution Program (food and/or commodities) were received and a single inventory was maintained on a first-in, first-out basis. No exceptions were noted.

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

Student Body Activities

Our review of the financial and accounting records for student activities indicated they were in satisfactory condition.

Application for State School Aid (ASSA)

Our audit procedures included a sample test of information reported in the October 15, 2020 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped and low-income, and bilingual. We also performed a review on a sample basis of the School District’s procedures related to its completion. The information on the ASSA 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 of their equivalent.

The School District written procedures appear to be adequate for the recording of student enrollment data.

Pupil Transportation

Our audit procedures included a sample test of on roll status reported in the 2020-2021 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 sample of transportation contracts and purchases. Based on our sample, the School District complied with proper bidding procedures and award of contracts. The bid specifications for the purchase of buses were in compliance with applicable statutes. No exceptions were noted in our sampling of transportation related purchases of goods and services.

Facilities and Capital Assets

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

Miscellaneous

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

Follow-up on Prior Year Findings

In accordance with audit requirements prescribed by the Office of School Finance, Department of Education, State of New Jersey, our procedures included a review of all prior year findings reported in the prior year’s Auditor’s Management Report on Administrative Findings – Financial, Compliance and Performance. There were no prior year findings.

Office of Fiscal Accountability and Compliance (OFAC) Findings

There were no Office of Fiscal Accountability and Compliance (OFAC) audit reports issued during the fiscal year ended June 30, 2021.

Acknowledgment

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

Respectfully Submitted,

HOLMAN FRENIA ALLISON, P.C.

Matthew Holman
Certified Public Accountant
Public School Accountant, No. 20CS00260100

Lakewood, New Jersey
March 11, 2022

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ADDITIONAL INFORMATION

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MIDDLETOWN TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
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		Workpapers		Errors		Sample Selected from Workpapers		Registers Verified per On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools		Sample Verification		Sample Errors			
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared		
Half Day Preschool 3 Yrs.	34	-	34	-	-	-	1	-	1	-	-	-	-	-	-	-	-	-	-	
Half Day Preschool 4 Yrs.	49	-	49	-	-	-	2	-	2	-	-	-	-	-	-	-	-	-	-	
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Full Day Kindergarten	526	-	526	-	-	-	18	-	18	-	-	-	-	-	-	-	-	-	-	
One	532	-	532	-	-	-	18	-	18	-	-	-	-	-	-	-	-	-	-	
Two	594	-	594	-	-	-	20	-	20	-	-	-	-	-	-	-	-	-	-	
Three	524	-	524	-	-	-	18	-	18	-	-	-	-	-	-	-	-	-	-	
Four	517	-	517	-	-	-	18	-	18	-	-	-	-	-	-	-	-	-	-	
Five	569	-	569	-	-	-	19	-	19	-	-	-	-	-	-	-	-	-	-	
Six	548	-	548	-	-	-	19	-	19	-	-	-	-	-	-	-	-	-	-	
Seven	600	-	600	-	-	-	20	-	20	-	-	-	-	-	-	-	-	-	-	
Eight	601	-	601	-	-	-	20	-	20	-	-	-	-	-	-	-	-	-	-	
Nine	566	-	566	-	-	-	20	-	20	-	-	-	-	-	-	-	-	-	-	
Ten	567	-	567	-	-	-	19	-	19	-	-	-	-	-	-	-	-	-	-	
Eleven	616	24	616	24	-	-	21	1	21	1	-	-	-	-	-	-	-	-	-	
Twelve	534	24	534	24	-	-	18	1	18	1	-	-	-	-	-	-	-	-	-	
Subtotal	7,377	48	7,377	48	-	-	251	2	251	2	-	-	-	-	-	-	-	-	-	
Special Ed - Elementary	633	-	633	-	-	-	22	-	22	-	-	-	-	6	5	5	5	5	-	
Special Ed - Middle School	465	-	465	-	-	-	16	-	16	-	-	-	9	8	8	8	8	8	-	
Special Ed - High School	543	107	543	107	-	-	18	4	18	4	-	-	27	23	23	23	23	23	-	
Subtotal	1,641	107	1,641	107	-	-	56	4	56	4	-	-	42	36	36	36	36	36	-	
Totals	9,018	155	9,018	155	-	-	307	6	307	6	-	-	42	36	36	36	36	36	-	
Percentage Error					0%						0%									0%

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2020**

	2021-2022 Application for State School Aid			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 LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Full Day Kindergarten	37	37	-	9	9	-	2	2	-	2	2	-
One	58	58	-	14	14	-	4	4	-	3	3	-
Two	48	48	-	11	11	-	2	2	-	2	2	-
Three	50	50	-	12	12	-	2	2	-	2	2	-
Four	43	43	-	10	10	-	2	2	-	2	2	-
Five	56	56	-	14	14	-	-	-	-	-	-	-
Six	48	48	-	12	12	-	-	-	-	-	-	-
Seven	55	55	-	13	13	-	1	1	-	1	1	-
Eight	47	47	-	11	11	-	-	-	-	-	-	-
Nine	48	48	-	11	11	-	1	1	-	1	1	-
Ten	53	53	-	13	13	-	1	1	-	1	1	-
Eleven	46	46	-	11	11	-	-	-	-	-	-	-
Twelve	36	36	-	14	14	-	-	-	-	-	-	-
Subtotal	625	625	-	155	155	-	15	15	-	14	14	-
Special Ed - Elementary	143	143	-	36	36	-	3	3	-	3	3	-
Special Ed - Middle School	114	114	-	28	28	-	-	-	-	-	-	-
Special Ed - High School	140.5	140.5	-	35	35	-	-	-	-	-	-	-
Subtotal	397.5	397.5	-	99	99	-	3	3	-	3	3	-
Train Seb/Secure Care	-	-	-	-	-	-	-	-	-	-	-	-
DCF Regional Day School	-	-	-	-	-	-	-	-	-	-	-	-
Totals	1,022.5	1,022.5	-	254	254	-	18	18	-	17	17	-
Percentage Error	0.00%			0.00%			0.00%			0.00%		

Transportation

	Reported on DTRS by DOE/County	Reported on DTRS by District	Errors	Tested	Verified	Errors
Reg - Public Schools, col. 1	2,135	2,135	-	119	119	-
Reg - Sp Ed, col. 4	578	578	-	32	32	-
Transported - Non-Public, col. 3	600	600	-	33	33	-
AIL - Non Public	209	209	-	12	12	-
Courtesy Students	1,803	1,803	-	101	101	-
Special Ed Spec, col. 6	266	266	-	15	15	-
Totals	5,591	5,591	-	312	312	-
Percentage Error	0.00%			0.00%		

MIDDLETOWN TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2020

	2021-2022 Application for State School Aid				Sample for Verification		
	Reported on A.S.A as LEP Not Low Income	Reported on Workpapers LEP Not Low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors	
Full Day Kindergarten	3	3	-	3	3	-	
One	2	2	-	2	2	-	
Two	3	3	-	3	3	-	
Three	4	4	-	3	3	-	
Four	2	2	-	2	2	-	
Five	1	1	-	1	1	-	
Six	2	2	-	2	2	-	
Seven	1	1	-	1	1	-	
Eight	1	1	-	1	1	-	
Ten	1	1	-	1	1	-	
Subtotal	20	20	-	19	19	-	
Special Ed - Elementary	1	1	-	1	1	-	
Special Ed - Middle School	1	1	-	1	1	-	
Subtotal	2	2	-	2	2	-	
Totals	22	22	-	21	21	-	
Percentage Error			0.00%			0.00%	

School Food Service

SCHEDULE OF MEAL COUNT ACTIVITY

MIDDLETOWN TOWNSHIP SCHOOL DISTRICT

FOOD SERVICE FUND

NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM -Federal

ENTERPRISE FUND

FOR THE FISCAL YEAR ENDED JUNE 30, 2021

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE (a)	(OVER) UNDER CLAIM (b)
National School Lunch (Regula/Rate)	Paid	-	-	-	-	0.33	-
National School Lunch (Regular Rate)	Reduced	-	-	-	-	3.11	-
National School Lunch (Regular/SSO Rate)	Free	279,372	279,372	279,372	-	3.51	-
	TOTAL	279,372	279,372	279,372			-
	HHFKA - PB						
National School Lunch	Lunch Only	279,372	279,372	279,372	-	0.07	-
School Breakfast (Regular Rate)	Paid	-	-	-	-	0.32	-
	Reduced	-	-	-	-	1.59	-
	Free	144,857	144,857	144,857	-	1.89	-
	TOTAL	144,857	144,857	144,857			-
Special Milk	Paid	-	-	-	-	0.2025	-
After School Snacks	Paid	-	-	-	-	0.08	-
	Reduced	-	-	-	-	0.48	-
	Free (Area Eligible)	-	-	-	-	0.96	-
	TOTAL	-	-	-			-
Seamless Summer Option (SSO)							
Breakfast	Free	-	-	-	-	1.89	-
Lunch	Free	-	-	-	-	3.51	-
	TOTAL	-	-	-			-
	HHFKA - PB						
National School Lunch	Lunch Only	-	-	-	-	0.07	-
Child & Adult Care Food							
CACFP (d) - Food	Free	-	-	-	-	3.51	-
CACFP (d) - Cash-in-lieu of USDA Foods	Free	-	-	-	-	0.245	-
Summer Food Service (SFSP)	<u>SELF-PREP RATES</u>						
	Breakfast	-	-	-	-	2.375	-
	Lunch or Supper	-	-	-	-	4.1525	-
	Supplement	-	-	-	-	0.9775	-
	TOTAL	-	-	-			-
	<u>VENDED RATE</u>						
	Breakfast	-	-	-	-	2.33	-
	Lunch or Supper	-	-	-	-	4.0875	-
	Supplement	-	-	-	-	0.955	-
	TOTAL	-	-	-			-

Auditor Notation:

(a) Reimbursement rates are subject to annual change. Rates indicated in this sample schedule are for illustrative purposes only. Refer to the detailed schedule of reimbursement rates presented on page II-60.29 of this Audit Program. (b) Overclaims or underclaims must be reflected by program on the Schedule of Findings and Questioned Costs (where applicable) and in the AMR. (c) If underclaims are identified and total \$100.00 or more by program, please contact the DOA for requirements to request reimbursement from USDA. Underclaim requests may or may not be approved by USDA for reimbursement. (d) Child and Adult Care Food Program-(CACFP)-At-Risk Dinners

NET CASH RESOURCE SCHEDULE

**NET CASH RESOURCES DID NOT EXCEED THREE MONTHS OF EXPENDITURES
PROPRIETARY FUNDS - FOOD SERVICE
FYE 2021**

<u>Net Cash Resources:</u>		Food Service B - 4/5	
ACFR	*	Current Assets	
B-4		Due from Other Gov'ts	\$ 182,870
B-4		Accounts Receivable	8,974
B-4		Investments	-
ACFR		Current Liabilities	
B-4		Cash Deficit	(22,610)
B-4		Less Accounts Payable	(133,945)
B-4		Less Accruals	
B-4		Less Other Current Liabilities	(254)
B-4		Less Deferred Revenue	(131,494)
		Net Cash Resources	<u>\$ (96,459) (A)</u>

Net Adj. Total Operating Expense:

B-5	Tot. Operating Exp.	\$ 1,459,524	
B-5	Less Depreciation	<u>(66,811)</u>	
	Adj. Tot. Oper. Exp.	<u>\$ 1,392,713 (B)</u>	

Average Monthly Operating Expense:

B / 10	<u>\$ 139,271 (C)</u>
--------	------------------------------

Three times monthly Average:

3 X C	<u>\$ 417,814 (D)</u>
-------	------------------------------

TOTAL IN BOX A	\$ (96,459)
LESS TOTAL IN BOX D	417,814
NET	<u>\$ (514,273)</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.**

* Inventories are not to be included in total current assets.

SOURCE - USDA resource management comprehensive review form

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EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 4% Calculation of Excess Surplus

2020-2021 Total General Fund Expenditures per the ACFR, Ex. C-1	\$ <u>195,469,004</u> (B)
Increased by:	
Transfer to Food Service Fund	\$ <u>-</u> (B1a)
Transfer from Capital Outlay to Capital Projects Fund	\$ <u>-</u> (B1b)
Transfer from Capital Reserve to Capital Projects Fund	\$ <u>-</u> (B1c)
Transfer from General Fund to SRF for PreK-Regular	\$ <u>-</u> (B1d)
Transfer from General Fund to SRF for PreK-Inclusion	\$ <u>-</u> (B1e)
Decrease by:	
On-Behalf TPAF Pension & Social Security	\$ <u>33,501,770</u> (B2a)
Assets Acquired Under Capital Leases	\$ <u>-</u> (B2b)
 Adjusted 2020-2021 General Fund Expenditures [(B)+(B1s)-(B2s)]	 \$ <u><u>161,967,234</u></u> (B3)
 4% of Adjusted 2020-2021 General Fund Expenditures [(B3) times .04]	 \$ <u>6,478,689</u> (B4)
Enter Greater of (B4) or \$250,000	\$ <u>6,478,689</u> (B5)
Increased by: Allowable Adjustment *	\$ <u>1,176,334</u> (K)
 Maximum Unassigned Fund Balance [(B5)+(K)]	 \$ <u><u>7,655,023</u></u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6/30/2021 (Per ACFR Budgetary Comparison Schedule C-1)	\$ <u>19,722,585</u> (C)
Decreased by:	
Year-End Encumbrances	\$ <u>2,048,734</u> (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ <u>-</u> (C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ <u>989,299</u> (C3)
Other Restricted Fund Balances ****	\$ <u>8,629,855</u> (C4)
Assigned Fund Balance - Designated for Subsequent Year's Expenditures	\$ <u>-</u> (C5)
 Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]	 \$ <u><u>8,054,697</u></u> (U1)

REGULAR DISTRICT (continued):

SECTION 3

Restricted Fund Balance - Excess Surplus *** [(U1)-(M)] IF NEGATIVE ENTER -0-] \$ 399,674 (E)

Recapitulation of Excess Surplus as of June 30, 2021

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures ** \$ 989,299 (C3)
Reserved Excess Surplus *** [(E)] \$ 399,674 (E)
Total Excess Surplus [(C3)+(E)] \$ 1,388,973 (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, 2016 the 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

Impact Aid	\$ <u>-</u> (H)
Sale & Lease-back	\$ <u>-</u> (I)
Extraordinary Aid	\$ <u>997,562</u> (J1)
Additional Nonpublic School Transportation Aid	\$ <u>178,772</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><u>1,176,334</u></u> (K)

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

*** Amounts must agree to the June 30, 2021 ACFR and must agree to Audit Summary Line 90030.

**** Amount for Other Restricted 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 another type of government, such as the judicial branch of government, must have departmental approval. District requests should be submitted to the Division of Administration and Finance prior to September 30.

REGULAR DISTRICT (continued):

Detail of Other Restricted Fund Balance

Statutory Restrictions:

Approved Unspent Separate Proposal	\$	-
Sale/Lease-Back Reserve	\$	-
Capital Reserve	\$	3,858,138
Maintenance Reserve	\$	2,060,533
Reserve for Unemployment Claims	\$	421,944
Emergency Reserve	\$	-
Tuition Reserve	\$	-
School Bus Advertising 50% Fuel Offset Reserve - Current Year	\$	-
School Bus Advertising 50% Fuel Offset Reserve - Prior Year	\$	-
Impact Aid General Fund Reserve (Sections 8002 and 8003)	\$	-
Impact Aid Capital Fund Reserve (Sections 8007 and 8008)	\$	-
Other State/Government Mandated Reserve	\$	2,289,240
[Other Restricted Fund Balance Not Noted Above] ****	\$	-
 Total Other Restricted Fund Balance	\$	<u>8,629,855</u> (C4)

**MIDDLETOWN TOWNSHIP SCHOOL DISTRICT
AUDIT RECOMMENDATIONS SUMMARY
YEAR ENDED JUNE 30, 2021**

SCHOOL DISTRICT

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

None

3. School Purchasing Programs

None

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

No Prior Year Audit Findings/Recommendations