

**TOWNSHIP OF MIDDLE
SCHOOL DISTRICT**

**AUDITOR'S MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2018**

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

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January 28, 2019

REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Township of Middle School District
County of Cape May, New Jersey

We have audited, in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Middle Township School District in the County of Cape May for the year ended June 30, 2018, and have issued our report thereon dated January 28, 2019.

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 Middle Township Board of Education's management and the New Jersey Department of Education and is not intended and should not be used by anyone other than these parties.

Ford, Scott & Associates, L.L.C.

FORD, SCOTT & ASSOCIATES, L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello

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Certified Public Accountant

Licensed Public School Accountant

No. 767

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 district's CAFR.

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

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Diane Fox	Board Secretary / Business Administrator	\$ 275,000.00

There is Crime Coverage through the Atlantic and Cape May Counties Association of School Business Officials Joint Insurance Fund of \$250,000.00

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The Board made an adjustment to the billings to sending districts for the change in per pupil costs in accordance with N.J.A.C. 6A:23A-17.1(f) 3. We noted no exceptions in regards with the receiving districts tuition revenue. We did however note exceptions with the sending districts tuition expenditures. We noted that one tuition contract was not approved in the board minutes. We also noted differences between what the district paid sending districts and what the tuition contract on file stated was due. We recommend the district review their procedures over the payment to sending districts and take corrective action in fiscal year 2019. No formal finding deemed necessary.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not indicate any discrepancies with respect to signatures or certification. We did however note that two purchase orders selected for testing could not be located and therefore supporting documentation could not be viewed. We also noted two employees who were no longer eligible to receive dental benefits as of July 1, 2014 remained on the districts dental bill until fiscal year 2019. The employees had resigned however were not removed from the Districts dental bill timely. No formal finding deemed necessary.

Payroll Account

The net salaries of all 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 were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/School Business Administrator.

Salary withholdings were promptly remitted to the proper agencies, including health benefit 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 withholding.

Finding 2018-1 AMR:

Eight employees were not paid in accordance with their contracts resulting in over and under payments.

Recommendation 2018-1 AMR:

We recommend that the District review their procedures over inputting employee salaries into their payroll system and establish procedures to review this process.

Employee Position Control Roster

An inquiry and subsequent review of the Position Control Roster found no 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, Liability for Accounts Payable

A review of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable. No discrepancies were noted. The purchase orders noted have been liquidated after June 30.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with *N.J.A.C. 6A:23A-16.2(f)* as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with *N.J.A.C. 6A:23A-8.3*. As a result of the procedures performed, a transaction error rate of zero 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 disclosed the following items:

- The Board Secretary's records were in satisfactory condition.
- Bids received were summarized in the minutes (*N.J.S.A. 18A:18A-21*).
- Acknowledgement of the Board's receipt of the Board Secretary's and the Treasurer's monthly financial reports were included in the minutes.
- Budget appropriations were not greater than realized revenues and Board authorized use of surplus.
- No budgetary line accounts were over-expended during the fiscal year end at June 30 (*N.J.A.C. 6A:23A-16.10*)
- Payments made to vendors were not made until the receipt of goods.
- Capital asset records were updated for the additions and disposals of capital assets made during the year. We however noted four instances in our testing in which the proper historical cost amount was not used to add the asset. We also noted three instances in which assets were disposed of without board approval. We recommend that assets be added at their historical costs and only removed after the board has approved their disposal. No formal finding deemed necessary.

- The district is maximizing its efforts under the Special Education Medicaid Initiative (SEMI) Program for obtaining federal funding for special education services.
- Budget transfers were approved by two-thirds affirmative vote of the authorized membership of the school board (*N.J.A.C. 6A:23A-13.3(f)*)
- Purchase orders were charged to the appropriate line accounts in accordance with State prescribed Uniform Minimum Chart of Accounts (Handbook 2R2), for New Jersey Public Schools.

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 CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I and VI of the Elementary and Secondary Education Act as amended and reauthorized.

The study of compliance for E.S.E.A. did not indicate any areas of noncompliance or questionable costs.

Other Special Federal and/or State Projects

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

The study of compliance for Special Federal and/or State Projects revealed no areas of noncompliance and/or questionable costs.

TPAF 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.

TPAF Reimbursement to the State for Federal Salary Expenditures

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

The bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. Township of Middle Board of Education has a Qualified Purchasing Agent therefore the bid threshold was \$40,000 for fiscal year 2018.

The Board of Education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal 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.

The results of my examination found no instances where individual payments, contracts, or agreements were made for the performance of work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provisions 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*.

Finding 2018-02 AMR:

During our examination of bids we noted the approval to solicit bids in the official newspaper is not being obtained prior to the advertisement being placed. We also noted that professional service contracts on file were omitting signatures in three instances and we were unable to inspect required documentation on several contracts awarded by the district.

Recommendation 2018-02 AMR:

That the district establish internal control procedures that are designed to ensure compliance with New Jersey School Contract Law.

School Food Service

The Food Service Fund had an operating deficit in net position at June 30, 2018 of \$100,118.23.

The financial transactions and statistical records of the school food services were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis. No exceptions noted.

Cash receipts and bank records were reviewed for timely deposits. No exceptions noted.

The District utilizes a food service management company and is depositing and expending program funds in accordance with *N.J.S.A. 18A:17-34*, and 19-1 through 19-4.1. Provisions of the FSMC contract were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program bottom line on the operational report for the school year will be a return no less than \$15,000.00. The operating provision has not 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 were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used. No exceptions were noted.

The cash disbursement records reflected expenditures for program related goods and services. Deposits and expenditures of program moneys are in accordance with *N.J.S.A. 18A:17-34* and 19-1 through 19-4.1. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service. No exceptions noted.

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 Service employees authorized by the board of education. No exceptions 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 and certified in a timely manner. No exceptions noted.

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 on file, times the number of operating days, on a school by school basis. The free and reduced price meal and free milk policy is uniformly administered throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review. No exceptions noted.

USDA Food Distribution Program 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 (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

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

Performing Arts Center (PAC)

The Performing Arts Center had an operating deficit in net position at June 30, 2018 of \$144,034.82.

All cash receipts were promptly deposited into the Ticket Account. No exceptions noted.

Student Body Activities

Finding 2018-3 AMR:

The records of the Student Activity Fund were not in satisfactory condition. A structure in which segregation of duties is obtained is not maintained by the Elementary #1, Elementary #2 and Middle School student activity accounts.

Recommendation 2018-3 AMR:

We recommend that the board review the procedures over the district's student activity funds and approve a policy establishing the regulation of student activity funds.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2017 Application 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. The information that was included on the workpapers was verified. The results of our procedures are presented below and in the Schedule of Audited Enrollments.

The District maintained workpapers on the prescribed state forms or their equivalent.

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 2017-2018 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 include a review of transportation-related contracts and purchases. Based on our review, the 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 review of transportation-related purchases of goods and services.

Facilities and Capital Assets

Our procedures included a review of the SDA grant agreements for consistency with recording SDA revenue, transfer of local funds from the general fund or from the capital reserve account, and awarding of contracts for eligible facilities construction. No exceptions were noted as a result of our review.

Miscellaneous

- The school district has complied with continuing disclosure agreements made in relation to prior year bond issuances. No exceptions noted.
- Testing for Lead of all Drinking Water in Educational Facilities

The school district adhered to all 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.

The school district did submit the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12(g).

Follow-Up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations. Corrective action has not been taken on all prior year recommendations.

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.

Ford, Scott & Associates, L.L.C.
FORD, SCOTT & ASSOCIATES, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Leon P. Costello

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Licensed Public School Accountant
No. 853

January 28, 2019

**SCHEDULE OF MEAL COUNT ACTIVITY
MIDDLE TOWNSHIP SCHOOL DISTRICT
FOOD SERVICE FUND
NUMBER FOR MEALS SERVED AND (OVER) UNDERCLAIM
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Program	Meal Category	Meals Claimed	Meals Verified	Diff.	Rate	(Over) Under Claim
National School Lunch (High Rate)	Paid	50,708	50,708	-	0.440	\$ -
	Reduced	16,774	16,774	-	2.965	-
	Free	112,334	112,334	-	3.365	-
Total		<u>179,816</u>	<u>179,816</u>	<u>-</u>		<u>-</u>
School Breakfast (Severe Rate)	Paid	7,579	7,579	-	0.300	-
	Reduced	4,725	4,725	-	1.790	-
	Free	44,560	44,560	-	2.090	-
Total		<u>56,864</u>	<u>56,864</u>	<u>-</u>		<u>-</u>
TOTAL NET UNDERCLAIM						\$ <u>-</u>

**NET CASH RESOURCE SCHEDULE
MIDDLE TOWNSHIP SCHOOL DISTRICT
ENTERPRISE FUND – FOOD SERVICE
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Net cash resources did not exceed three months of expenditures.

<u>Net Cash Resources:</u>		Food Service B - 4/5	
CAFR	*	Current Assets	
B-4		Cash & Cash Equiv.	\$ 123,266.48
B-4		Less Due from Other Funds	
B-4		Due from Other Gov'ts	40,732.62
B-4		Accounts Receivable	41,387.66
CAFR		Current Liabilities	
B-4		Less Accounts Payable	(36,955.06)
B-4		Less Due to Other Funds	(270,636.70)
B-4		Less Unearned Revenue	(8,960.50)
		Net Cash Resources	\$ (111,165.50) (A)
<u>Net Adj. Total Operating Expense:</u>			
B-5		Tot. Operating Exp.	939,662.28
B-5		Less Depreciation	(5,204.16)
		Adj. Tot. Oper. Exp.	\$ 934,458.12 (B)
<u>Average Monthly Operating Expense:</u>			
		B / 10	\$ 93,445.81 (C)
<u>Three times monthly Average:</u>			
		3 X C	\$ 280,337.44 (D)

TOTAL IN BOX A	\$	(111,165.50)	
LESS TOTAL IN BOX D	\$	280,337.44	
NET	\$	169,171.94	
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.

**MIDDLE TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017**

	2017-2018 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	Reported on Selected from Workpapers	Verified per Registers On Roll	Errors per Registers On Roll	Reported on A.S.S.A. as Private Schools	Sample for Verification	Sample Verified	Sample Errors			
	Full	Shared	Full	Full	Shared	Full	Full	Shared	Full	Shared	Full	Shared	Full
Half Day Preschool 4 Yrs	113		-	13		13							
Full Day Preschool 4 Yrs													
Half Day Kindergarten													
Full Day Kindergarten	156			18		18							
One	153			18		17							
Two	150			17		20							
Three	173			20		17							
Four	145			16		16							
Five	137			17		17							
Six	150			17		17							
Seven	133			15		15							
Eight	147			17		17							
Nine	137	8		17	1	17			1				
Ten	165	10		20	1	20			1				
Eleven	149	7		17	1	17			1				
Twelve	123	5		14	1	14			1				
Post-Graduate Adult H.S. (15+CR.)													
Adult H.S. (1-14+CR.)													
Subtotal	2,031	30	2,031	236	4	236	4	236	4				
Special Ed - Elementary	170			20		20							
Special Ed - Middle School	109			13		13							
Special Ed - High School	113	46		13	5	13	5	13	5	2	3	2	3
Subtotal	392	46	392	46	5	46	5	46	5	6	5	6	5
Co. Voc. - Regular													
Co. Voc. - Post Sec.													
Totals	2,423	76	2,423	282	9	282	9	282	9	6	5	6	5
Percentage Error			0.00%		(a)		(a)			0.00%			0.00%

**MIDDLE TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017**

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A as LEP Low Income	Reported on Workpapers LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Half Day Preschool 4 Yrs	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Preschool 4 Yrs	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	78.0	78.0	-	19.00	19.00	-	3	3	-	2	2	-
One	87.0	87.0	-	22.00	22.00	-	6	6	-	5	5	-
Two	75.0	75.0	-	19.00	19.00	-	5	5	-	4	4	-
Three	85.0	85.0	-	21.00	21.00	-	7	7	-	5	5	-
Four	72.0	72.0	-	18.00	18.00	-	3	3	-	2	2	-
Five	60.0	60.0	-	17.00	17.00	-	2	2	-	1	1	-
Six	54.0	54.0	-	15.00	15.00	-	4	4	-	3	3	-
Seven	49.0	49.0	-	14.00	14.00	-	1	1	-	1	1	-
Eight	46.0	46.0	-	14.00	14.00	-	1	1	-	1	1	-
Nine	41.5	41.5	-	12.00	12.00	-	-	-	-	-	-	-
Ten	39.0	39.0	-	10.00	10.00	-	-	-	-	-	-	-
Eleven	41.5	41.5	-	9.00	9.00	-	2	2	-	2	2	-
Twelve	29.0	29.0	-	8.00	8.00	-	-	-	-	-	-	-
Post-Graduate	-	-	-	-	-	-	-	-	-	-	-	-
Adult H.S. (15+CR.)	-	-	-	-	-	-	-	-	-	-	-	-
Adult H.S. (1-14+CR.)	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	757.0	757.0	-	198.0	198.0	-	34	34	-	26	26	-
Special Ed - Elementary	113.00	113.00	-	22.00	22.00	-	10	10	-	7	7	-
Special Ed - Middle School	80.00	80.00	-	17.00	17.00	-	8	8	-	6	6	-
Special Ed - High School	78.00	78.00	-	17.00	17.00	-	4	4	-	3	3	-
Subtotal	271.0	271.0	-	56.00	56.0	-	22	22	-	16	16	-
DYFS Residential Center	1.00	1	-	-	-	-	-	-	-	-	-	-
Juvenile Community Ctr	7.00	7	-	-	-	-	-	-	-	-	-	-
Juvenile Detention Ctr	1.00	1	-	-	-	-	-	-	-	-	-	-
Totals	1,037.0	1,037.0	-	254.0	254.0	-	56	56	-	42	42	-
Percentage Error	0.00%											

Transportation

	Reported on DRTS by DOE/County			Reported on DRTS by District			Sample for Verification			Reported on DRTS by District			Sample for Verification		
	Reported on DRTS by DOE/County	Reported on DRTS by District	Errors	Reported on DRTS by District	Reported on DRTS by District	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on DRTS by District	Reported on DRTS by District	Errors	Sample Selected from Workpapers	Verified to Test Score and Register	Sample Errors
Reg. - Public Schools, col. 1	1,805	1,805	-	224	224	-	-	-	-	-	-	-	-	-	-
Reg. - Sp Ed, col. 4	198	198	-	24	24	-	-	-	-	-	-	-	-	-	-
Transported - Non-Public, col. 3	158	158	-	19	19	-	-	-	-	-	-	-	-	-	-
AIL - Non Public	4	4	-	-	-	-	-	-	-	-	-	-	-	-	-
Special Ed Spec, col. 6	143	143	-	17	17	-	-	-	-	-	-	-	-	-	-
Totals	2,308	2,308	-	284	284	-	-	-	-	-	-	-	-	-	-
Percentage Error	0.00%														

Reported **Recalculated**
5.3 5.3
5.3 5.3
6.1 6.1

Reg Avg. (Mileage) = Regular Including Grade PK Students
Reg Avg. (Mileage) = Regular Excluding Grade PK Students
Spec Avg. = Special Ed with Special Needs

**MIDDLE TOWNSHIP SCHOOL DISTRICT
SCHEDULE OF AUDITED ENROLLMENTS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017**

	Resident LEP NOT Low Income		Sample for Verification	
	Reported on A.S.A as LEP Not Low Income	Reported on Workpapers LEP Not Low Income	Sample Selected from Workpapers	Verified to Application and Register
Half Day Preschool 4 Yrs	-	-	-	-
Full Day Preschool 4 Yrs	-	-	-	-
Half Day Kindergarten	-	-	-	-
Full Day Kindergarten	1	1	1	1
One	-	-	-	-
Two	-	-	-	-
Three	1	1	1	1
Four	-	-	-	-
Five	-	-	-	-
Six	-	-	-	-
Seven	-	-	-	-
Eight	-	-	-	-
Nine	-	-	-	-
Ten	-	-	-	-
Eleven	-	-	-	-
Twelve	1	1	1	1
Post-Graduate	-	-	-	-
Adult H.S. (15+CR.)	-	-	-	-
Adult H.S. (1-14+CR.)	-	-	-	-
Subtotal	3	3	3	3
Special Ed - Elementary	-	-	-	-
Special Ed - Middle School	1	1	1	1
Special Ed - High School	-	-	-	-
Subtotal	1	1	1	1
Co. Voc. - Regular	-	-	-	-
Co. Voc. - FT Post Sec.	-	-	-	-
Totals	4	4	4	4
Percentage Error	0.00%		0.00%	

**TOWNSHIP OF MIDDLE SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FOR THE YEAR ENDED JUNE 30, 2018**

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2017-18 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>47,766,553.76</u>	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	\$ <u>-</u>	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ <u>-</u>	(B1b)
Transfer from General Fund to SRF for PreK-Regular	\$ <u>-</u>	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$ <u>-</u>	(B1d)
Decreased By:		
On-Behalf TPAF Pension & Social Security	\$ <u>5,060,332.73</u>	(B2a)
Assets Acquired Under Capital Leases	<u>677,400.00</u>	(B2b)
Adjusted 2017-18 General Fund Expenditures [(B)+(B1's)-(B2's)]	\$ <u>42,028,821.03</u>	(B3)
2% of Adjusted 2017-18 General Fund Expenditures [(B3) times .02]	\$ <u>840,576.42</u>	(B4)
Enter Greater of (B4) or \$250,000	\$ <u>840,576.42</u>	(B5)
Increased by: Allowable Adjustment*	\$ <u>281,339.00</u>	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	\$ <u>1,121,915.42</u>	(M)

**TOWNSHIP OF MIDDLE SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION 2

Total General Fund - Fund Balances @ 06/30/18 (Per CAFR Budgetary Comparison schedule/statement C-1)	\$ <u>6,160,553.72</u> (C)
Decreased by:	
Year-end Encumbrances	\$ <u>646,629.68</u> (C1)
Legally Restricted-Designated for Subsequent Year's Expenditures	\$ _____ (C2)
Legally Restricted-Excess Surplus - Designated for Subsequent Year's Expenditures ***	\$ <u>1,262,942.00</u> (C3)
Other Restricted Fund Balances ***	\$ <u>1,973,565.62</u> (C4)
Assigned Fund Balance-Unreserved Designated for Subsequent Year's Expenditures	\$ <u>205,501.00</u> (C5)
Additional Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures July 1, 2018 - August 1, 2018	\$ _____ - (C6) *****
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]	\$ <u>2,071,915.42</u> (U1)

SECTION 3

Restricted Fund Balance - Excess Surplus *** [(U1)-(M)] IF NEGATIVE ENTER - 0 -	\$ <u>950,000.00</u> (E)
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Recapitulation of Excess Surplus as of June 30, 2018:

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ <u>1,262,942.00</u> (C3)
Reserved Excess Surplus ***	\$ <u>950,000.00</u> (E)
Total [(C3) + (E)]	\$ <u>2,212,942.00</u> (D)

* This adjustment line (as detailed below) is to be utilized for Impact Aid (when applicable), Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10), and Extraordinary Aid, Additional Nonpublic School Transportation Aid and Unbudgeted TPAF Wage Freeze Grant Funding. (Refer to the Audit Program Section II, Chapter 10 for restrictions on the inclusion Extraordinary Aid and Additional Nonpublic School Transportation Aid.)

Detail of Allowable Adjustment

Impact Aid	\$ _____ (H)
Sale & Lease-back	\$ _____ (I)
Extraordinary Aid	\$ <u>218,359.00</u> (J1)
Additional Nonpublic School Transportation Aid	\$ <u>62,980.00</u> (J2)
Total Adjustments [(H)+(I)+(J1) + (J2)]	\$ <u>281,339.00</u> (K)

** This amount represents the June 30, 2018 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

*** Amounts must agree to the June 30, 2018 CAFR and the sum of the two lines must agree to Audit Summary Worksheet 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 an 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.

***** Increase in Assigned Fund Balance-Unreserved-Designated for Subsequent Year's expenditures July 1, 2018 to August 1, 2018 resulting from decrease in state aid after adoption of 2018-19 district budget.

**TOWNSHIP OF MIDDLE SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FOR THE YEAR ENDED JUNE 30, 2018**

Detail of Other Restricted Fund Balance

Statutory restrictions:

Approved unspent separate proposal	\$ _____	
Capital outlay for a district with a capital outlay cap waiver	\$ _____	
Sale/lease-back reserve	\$ _____	
Capital reserve	\$ 113,458.54	
Maintenance reserve	\$ 1,860,107.08	
Emergency reserve	\$ _____	
Waiver offset reserve	\$ _____	
Tuition reserve	\$ _____	
Other state/government mandated reserve	\$ _____	
[Other Restricted Fund Balance not noted above]****	\$ _____	
 Total Other Restricted Fund Balance	 \$ 1,973,565.62	 (C4)

AUDIT RECOMMENDATIONS SUMMARY
For the Fiscal Year Ended June 30, 2018
TOWNSHIP OF MIDDLE SCHOOL DISTRICT

RECOMMENDATIONS

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

Recommendation 2018-1 AMR:

We recommend that the District review their procedures over inputting employee salaries into their payroll system and establish procedures to review this process.

3. School Purchasing Program

Recommendation 2018-02 AMR:

That the district establish internal control procedures that are designed to ensure compliance with New Jersey School Contract Law.

4. School Food Service

None

5. After School Program

None

6. Student Body Activities

Recommendation 2018-3 AMR:

We recommend that the board review the procedures over the district's student activity funds and approve a policy establishing the regulation of student activity funds.

7. Application for State School Aid

None

8. Pupil Transportation

None

9. Facilities and Capital Assets

None

10. Miscellaneous

None

11. Status of Prior Year Audit Findings/Recommendations

There were two prior year findings noted, corrective action has not been taken on all prior year recommendations.