

**BERGENFIELD BOARD OF EDUCATION
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL COMPLIANCE AND PERFORMANCE
JUNE 30, 2017**

**BERGENFIELD BOARD OF EDUCATION
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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LERCH, VINCI & HIGGINS, LLP

CERTIFIED PUBLIC ACCOUNTANTS
REGISTERED MUNICIPAL ACCOUNTANTS

DIETER P. LERCH, CPA, RMA, PSA
GARY J. VINCI, CPA, RMA, PSA
GARY W. HIGGINS, CPA, RMA, PSA
JEFFREY C. BLISS, CPA, RMA, PSA
PAUL J. LERCH, CPA, RMA, PSA
DONNA L. JAPHET, CPA, PSA
JULIUS B. CONSONI, CPA, PSA
ANDREW D. PARENTE, CPA, RMA, PSA

ELIZABETH A. SHICK, CPA, RMA, PSA
ROBERT W. HAAG, CPA, PSA
DEBORAH K. LERCH, CPA, PSA
RALPH M. PICONE, CPA, RMA, PSA
DEBRA GOLLE, CPA
CINDY JANACEK, CPA, RMA
MARK SACO, CPA
SHERYL M. NICOLosi, CPA, PSA

AUDITOR'S MANAGEMENT REPORT

Honorable President and Members
of the Board of Education
Bergenfield Board of Education
Bergenfield, 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 Bergenfield Board of Education as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated December 1, 2017.

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

This report is intended solely for the information and use of management, the Board of Education, others within the District and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.

Respectfully submitted,

Lerch, Vinci & Higgins, LLP

LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants

Jeffrey C. Bliss
Public School Accountant
PSA Number CS00932

Fair Lawn, New Jersey
December 1, 2017

**BERGENFIELD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

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, 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 the Insurance Schedule contained in the district's CAFR.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Dr. Mark Hayes	Interim Business Administrator/ Board Secretary	\$325,000
Sean Gately	Treasurer of School Monies	\$325,000

There is a Public Employees' Dishonesty Insurance Coverage with the Northeast Bergen County School Board Insurance Group (NESBIG) covering all other employees with multiple coverage of \$100,000 per employee and \$400,000 per loss.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not reveal any material discrepancies with respect to each of signature certification and proper itemization.

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

**BERGENFIELD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Financial Planning, Accounting and Reporting (Continued)

Payroll Account (Continued)

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

The District maintains a personnel tracking and accounting (Position Control) system.

The School Business Administrator completed and filed the required certification of compliance with federal and state law respecting the reporting of compensation for certain employees.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserve for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered, as of 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 included administrative coding classifications to determine overall reliability and compliance with NJAC 6A:23A-8.3. As a result of the procedures performed additional procedures were not deemed necessary to test the propriety of expenditure classification.

Travel

The District had an approved board travel policy as required by N.J.A.C. 6A:23A-6.13 and N.J.S.A. 18A:11-12.

Board Secretary's Records

The financial records, books of account and minutes maintained by the Board Secretary were in satisfactory condition.

Acknowledgement of the Board's receipt of the Board Secretary's and Treasurer's monthly financial reports were included in the minutes.

The prescribed contractual order system was followed with exceptions noted.

Treasurer's Records

The Treasurer did perform reconciliations for all required accounts.

The Treasurer's records were in agreement with the Board Secretary's records.

Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund. The financial transactions of this fund are reported in the Expendable Trust Fund.

**BERGENFIELD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Financial Planning, Accounting and Reporting (Continued)

Elementary and Secondary School 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./NCLB financial exhibits are contained within the Special Revenue section of the CAFR. This section of the CAFR documents the financial position pertaining to projects under Titles I, II and III of the Elementary and Secondary Education Act as amended and reauthorized.

Our examination of the E.S.E.A./NCLB 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.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Exhibit K-3 and Exhibit K-4 located in the CAFR.

Our 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.

The financial exhibits contained herein represent a true statement of the financial position pertaining to the aforementioned special projects.

T.P.A.F. Reimbursements

Our audit procedures included a test of the semi-monthly 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.

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

The amount of expenditures 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, 2015 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-3 (as amended) and 18A:39-3 (public school student transportation) are \$29,000 and \$18,800 respectively.

If the purchasing agent is qualified pursuant to subsection b of section 9 of P.L. 1971, c.198 (c.40A:11-9), the board of education may establish that the bid threshold may be up to \$40,000 in accordance with 18A:18A-2. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section. The Board designated the Interim Business Administrator as the qualified purchasing agent.

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 Board Attorney's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed; however, to determine whether any clear-cut violations existed.

**BERGENFIELD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids (Continued)

The results of our examination did not indicate any individual payments, contracts, or agreements which were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4.

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

The system of records did not provide for an accumulation of purchases for which the school board used contracts entered into by the State Department of Purchase and Property pursuant to Ch. 114, P.L. 1977, therefore, the extent of such purchases could not reasonably be ascertained. Our examination did reveal, however, that purchases were made through the use of State contracts.

Food Service Fund

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 support. Accordingly, we inquired of school management and the appropriate school food service personnel, as to whether the SFA had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted. We also inquired of school management and the appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

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

The financial transactions and records of the school food services were maintained in satisfactory condition. The financial accounts and records were reviewed on a test-check basis.

Cash receipts and bank records were reviewed for timely deposit.

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 contract/addendum were reviewed. The FSMC contract includes an operating results provision which guarantees that the food service program will generate a profit. The operating results provision has been met in the current fiscal year.

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.

The cash disbursement 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. Net cash resources exceeded three months average expenditures.

Finding – The audit disclosed that net cash resources exceeded three months average expenditures by \$72,663 at June 30, 2017.

Recommendation – Appropriate steps be taken to ensure that net cash resources does not exceed three months average expenditures.

Applications for free and reduced price meals were reviewed for completeness and accuracy as part of our audit of the Application for State School Aid (ASSA).

Food Distribution Program commodities were received and a separate inventory were maintained on a first-in, first-out basis.

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

**BERGENFIELD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

Student Body Activities

The Board has a policy, which clearly established the regulation of student activity funds.

Cash receipts and disbursements records for the various schools were maintained in good condition.

Summer Enrichment Program

A formal cash receipts and cash disbursement journal was maintained for the Community Schools and Summer Enrichment Program's financial transactions.

Application for State School Aid

Our audit procedures included a test of information reported in the October 14, 2016 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low-income and limited English proficiency. 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 immaterial exceptions noted. The information that was included on the workpapers was verified with immaterial exceptions noted. 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 had 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 2016-2017 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

Facilities and Capital Assets

Our procedures included a review of the State Schools Development Authority (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.

Follow-up Prior Year Findings

In accordance with government standards, our procedures included a review of all prior year recommendations. Corrective action had been taken on all prior year findings.

Suggestions to Management

- Continued efforts be made to process claims for reimbursement for all SDA grant projects.

**BERGENFIELD BOARD OF EDUCATION
FOOD SERVICE FUND
SCHEDULE OF MEAL COUNT ACTIVITY
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SCHEDULE OF MEAL COUNTY ACTIVITY

NOT APPLICABLE

**BERGENFIELD BOARD OF EDUCATION
FOOD SERVICE FUND
NET CASH RESOURCE SCHEDULE
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

NOT APPLICABLE

**BERGENFIELD BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 14, 2016**

	2017-18 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 Register On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Reported on Work paper as Private Schools		Sample for Verifi- cation		Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared			Errors				
Half Day Preschool - 3 years	10	-	10	-	-	-	10		10		-	-							
Half Day Preschool - 4 years	10	-	10	-	-	-	10		10		-	-							
Half Day Kindergarten	-	-	-	-	-	-	-		-		-	-							
Full Day Kindergarten	189	-	189	-	-	-	47		47		-	-							
1st Grade	215	-	215	-	-	-	45		45		-	-							
2nd Grade	220	-	220	-	-	-	40		40		-	-							
3rd Grade	204	-	204	-	-	-	53		53		-	-							
4th Grade	214	-	214	-	-	-	35		35		-	-							
5th Grade	240	-	240	-	-	-	38		38		-	-							
6th Grade	212	-	212	-	-	-	212		212		-	-							
7th Grade	228	-	228	-	-	-	228		228		-	-							
8th Grade	227	-	227	-	-	-	227		227		-	-							
9th Grade	258	-	257	-	1	-	257		257		-	-							
10th Grade	226	-	226	-	-	-	226		226		-	-							
11th Grade	294	-	294	-	-	-	294		294		-	-							
12th Grade	262	-	262	-	-	-	262		262		-	-							
Subtotal	3,009	-	3,008	-	1	-	1,984	-	1,984	-	-	-	-	-	-	-	-	-	-
Spec Ed - Elementary	249	1	249	1	-	-	21	-	21	-	-	-	3	3	-	2	2	-	-
Spec Ed - Middle School	119	-	119	-	-	-	119		119		-	-	4	4	-	3	3	-	-
Spec Ed - High School	151	1	151	1	-	-	151	1	151	1	-	-	8	8	-	8	8	-	-
Subtotal	519	2	519	2	-	-	291	1	291	1	-	-	15	15	-	13	13	-	-
Totals	3,528	2	3,527	2	1	-	2,275	1	2,275	1	-	-	15	15	-	13	13	-	-
Percentage Error					<u>0.03%</u>	<u>0.00%</u>					<u>0.00%</u>	<u>0.00%</u>							<u>0.00%</u>

**BERGENFIELD BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 14, 2016**

	Low Income			Sample for Verification			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 Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Pre-School (3 Yrs)			-			-	-	-	-	-	-	-
Half Day Pre-School (4 Yrs)			-			-	-	-	-	-	-	-
Half Day Kindergarten			-			-	-	-	-	-	-	-
Full Day Kindergarten	62.0	62.0	-	3.0	3.0	-	20.0	20.0	-	6.0	6.0	-
1st Grade	74.0	74.0	-	4.0	4.0	-	18.0	18.0	-	5.0	5.0	-
2nd Grade	70.0	70.0	-	4.0	4.0	-	16.0	16.0	-	3.0	3.0	-
3rd Grade	71.0	71.0	-	4.0	4.0	-	9.0	9.0	-	2.0	2.0	-
4th Grade	84.0	84.0	-	4.0	4.0	-	5.0	5.0	-	1.0	1.0	-
5th Grade	94.0	94.0	-	5.0	5.0	-	6.0	6.0	-	2.0	2.0	-
6th Grade	86.0	86.0	-	4.0	4.0	-	5.0	5.0	-	1.0	1.0	-
7th Grade	92.0	92.0	-	5.0	5.0	-	10.0	10.0	-	2.0	2.0	-
8th Grade	87.0	87.0	-	4.0	4.0	-	10.0	10.0	-	3.0	3.0	-
9th Grade	119.0	118.0	1.0	6.0	6.0	-	11.0	11.0	-	3.0	3.0	-
10th Grade	82.0	82.0	-	4.0	4.0	-	5.0	5.0	-	1.0	1.0	-
11th Grade	104.0	104.0	-	6.0	6.0	-	6.0	6.0	-	1.0	1.0	-
12th Grade	87.0	87.0	-	4.0	4.0	-	2.0	2.0	-	1.0	1.0	-
Subtotal	1,112.0	1,111.0	1.0	57.0	57.0	-	123.0	123.0	-	31.0	31.0	-
Spec Ed - Elementary	102.0	112.0	(10.0)	5.0	5.0	-	5.0	5.0	-	2.0	2.0	-
Spec Ed - Middle School	56.0	56.0	-	4.0	4.0	-	2.0	2.0	-	1.0	1.0	-
Spec Ed - High School	69.0	69.0	-	3.0	3.0	-	-	-	-	-	-	-
Subtotal	227.0	237.0	(10.0)	12.0	12.0	-	7.0	7.0	-	3.0	3.0	-
Totals	1,339.0	1,348.0	(9.0)	69.0	69.0	-	130.0	130.0	-	34.0	34.0	-
Percentage Error			<u>-0.67%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	35	35	-	9	9	-
Transported - Non-Public	-	-	-	-	-	-
Regular - Spec.	18	18	-	5	5	-
Special Needs - Public	163	163	-	41	41	-
Totals	216	216	-	55	55	-
			<u>0.00%</u>			<u>0.00%</u>

**BERGENFIELD BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 14, 2016**

	LEP Not Low Income			Sample for Verification		
	Reported on A.S.S.A as Not Low Income	Reported on Workpapers as Not Low Income	Errors	Sample Selected from Workpapers	Verified to Register	Sample Errors
Half Day Pre-School (3 Yrs)						
Half Day Pre-School (4 Yrs)						
Half Day Kindergarten						
Full Day Kindergarten	22	22	-	4	4	-
1st Grade	17	17	-	3	3	-
2nd Grade	6	6	-	2	2	-
3rd Grade	2	2	-	1	1	-
4th Grade	3	3	-	1	1	-
5th Grade	4	4	-	1	1	-
6th Grade	3	3	-	2	2	-
7th Grade	1	1	-	1	1	-
8th Grade	2	2	-	1	1	-
9th Grade	7	7	-	2	2	-
10th Grade	5	5	-	1	1	-
11th Grade	1	1	-			-
12th Grade	-	-	-	-	-	-
Subtotal	73	73	-	19	19	-
Spec Ed - Elementary	-	-	-	-	-	-
Spec Ed - Middle School	-	-	-	-	-	-
Spec Ed - High School	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Totals	73	73	-	19	19	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**BERGENFIELD BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

SECTION 1A

2016-2017 Total General Fund Expenditures per the CAFR	\$	67,591,776
Increased by:		
Capital Reserve and Capital Outlay Transferred to Capital Projects Fund		1,003,303
Decreased by:		
On-Behalf TPAF Pension & Social Security		<u>(6,785,759)</u>
Adjusted 2016-2017 General Fund Expenditures	\$	<u>61,809,320</u>
2% of Adjusted 2016-2017 General Fund Expenditures	\$	<u>1,236,186</u>
Enter Greater of 2% of Adjusted 2016-2017 General Fund Expenditures or \$250,000	\$	1,236,186
Increased by: Allowable Adjustments		<u>719,894</u>
Maximum Unassigned Fund Balance		<u>\$ 1,956,080</u>

SECTION 2

Total General Fund - Fund Balance at June 30, 2017 (Per CAFR Budgetary Comparison Schedule/Statement)	\$	10,042,821
Decreased by:		
Year End Encumbrances		1,290,915
Capital Reserve		967,400
Capital Reserve - Designated for Subsequent Year's Expenditures		485,715
Maintenance Reserve		700,000
Maintenance Reserve - Designated for Subsequent Year's Expenditures		685,000
Emergency Reserve		594,000
Tuition Adjustments		338,000
Tuition Adjustments-Designated for Subsequent Year's Expenditures		307,000
Excess Surplus - Designated for Subsequent Year's Expenditures		1,146,517
Designated for Subsequent Year's Expenditures		<u>427,615</u>
Total Unassigned Fund Balance		<u>\$ 3,100,659</u>

SECTION 3

Restricted Fund Balance - Excess Surplus		<u>\$ 1,144,579</u>
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Recapitulation of Excess Surplus as of June 30, 2017

Excess Surplus	\$	1,144,579
Excess Surplus - Designated for Subsequent Year Expenditures		1,146,517
Total Excess Surplus	\$	<u>2,291,096</u>

Detail of Allowable Adjustments

Extraordinary Aid		<u>\$ 719,894</u>
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**BERGENFIELD BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

There are none.

III. School Purchasing Program

There are none.

IV. Food Service Fund

It is recommended that appropriate steps be taken to ensure that net cash resources does not exceed three months average expenditures.

V. Student Body Activities

There are none.

VI. Summer Enrichment Program

There are none.

VII. Application for State School Aid

There are none.

VIII. Transportation

There are none.

IX. Facilities and Capital Assets

There are none.

X. Miscellaneous

There are none.

XI. Status of Prior Years' Audit Findings/Recommendations

A review was performed on all prior years' recommendations and corrective action was taken on all prior year findings.

ACKNOWLEDGEMENT

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

Respectfully submitted,

LERCH, VINCI & HIGGINS, LLP

A handwritten signature in blue ink, appearing to read "JC Bliss", with a long horizontal flourish extending to the right.

Jeffrey C. Bliss
Certified Public Accountant
Public School Accountant