

**GARFIELD BOARD OF EDUCATION
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2018**

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

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INDEPENDENT AUDITOR'S MANAGEMENT REPORT

Honorable President and Members
of the Board of Trustees
Garfield Board of Education
Garfield, 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 Garfield Board of Education, State of New Jersey as of and for the fiscal year ended June 30, 2018, and have issued our report thereon dated January 24, 2019.

As part of our audit, we performed procedures required by the 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 for the information and use of management, the Board of Trustees, 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.

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

Gary W. Higgins
Public School Accountant
PSA Number CS00814

Fair Lawn, New Jersey
January 24, 2019

**GARFIELD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20, Schedule of Insurance contained in the district's Comprehensive Annual Financial Report ("CAFR").

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Dr. Edward Izbicki, Sr.	Assistant Superintendent of Finance/ Board Secretary	\$150,000
Kenneth Sesholtz	Treasurer of School Monies/ Board Secretary	430,000

There is public employee dishonesty with faithful performance coverage for all other employees with coverage of \$100,000.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not indicate any material discrepancies with respect to signatures, certifications 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 certified by the President of the Board, the Board Secretary/Business Administrator and the Superintendent of Schools.

Salary withholdings were promptly remitted to the District's payroll service provider for submission to the proper agencies. In addition, the District remitted the health benefit withholdings due to the General Fund in a timely manner.

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

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

The required certification (E-Certi) of compliance with requirements of income tax on compensation of District Administration was filed with the NJ Department of Treasury by the due date.

**GARFIELD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Financial Planning, Accounting and Reporting (Continued)

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.

Finding (CAFR Finding 2018-001) - Our audit of liabilities and outstanding purchase orders revealed the following:

- Two unrecorded liabilities determined to be accounts payable were noted.
- Two purchase orders classified as accounts payable were determined to be encumbrances.
- Two purchase orders classified as encumbrances were determined to be accounts payable.
- Two purchase order balances classified as accounts payable were determined to be overstated at year end.

Recommendation - Liabilities be reviewed to ensure the appropriate accruals are recorded at year end and purchase orders be accurately classified as an accounts payable or reserved for encumbrances, or otherwise be cancelled.

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 N.J.A.C. 6A:23-8.3. As a result of the procedures performed, no expenditure classification errors were noted and no additional testing was deemed necessary to test the propriety of expenditure classifications.

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 good condition.

The prescribed contractual order system was followed.

Bids received were summarized in the minutes (N.J.S.A. 18A:18A-21).

Finding – A detailed tuition billing and accounts receivable ledger was not maintained for special education students attending the District.

Recommendation – A billing and accounts receivable ledger be maintained and updated for tuition charged for special education students attending the District.

Finding – Checks issued from the scholarship account are not approved in the minutes.

Recommendation – All checks issued from the scholarship account be approved in the official minutes.

Treasurer's Records

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

The Treasurer's cash balances were in agreement with the reconciled cash balance as determined during the audit.

**GARFIELD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Financial Planning, Accounting and Reporting (Continued)

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

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 projects under Title I, II, III and IV of the Elementary and Secondary Education Act as amended and reauthorized.

Finding (CAFR Finding 2018-002) – Our audit of Title I purchases and procedures related to compliance with the Public School Contracts Law revealed the following:

- Purchasing requirements that apply to National Cooperative contract awards were not in compliance with the Public School Contracts Law.
- Supporting detail for purchases made in accordance with National Cooperative purchasing contracts was not available.

Recommendation – Continued efforts be made in order to be in compliance with the requirements of the Local Public Contracts Law.

Other Special Federal and/or State Projects

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

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

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

Finding (CAFR Finding 2018-5) – Our audit of the Districts Extraordinary Aid application revealed that student enrollment forms were not supported and in agreement with student Individualized Education Plans (IEP) and tuition contracts and certified rates.

Recommendation – The Extraordinary Aid application be reviewed to ensure all services and costs reported on the student enrollment form are properly reflected in the students Individual Education Plan (IEP) and in agreement with tuition contracts and certified rates.

Finding – Our audit revealed three (3) budget line accounts were overexpended in the Preschool Education program at June 30, 2018.

Recommendation – Transfers be made from available Preschool Education program funds prior to the overexpenditure of line item budget accounts.

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.

Finding (CAFR Finding 2018-4) – Our audit of T.P.A.F. FICA reimbursements revealed the salaries used to determine the amount reimbursed by the State for FICA excluded certain pensionable wages.

Recommendation – The District review with its payroll service vendor the T.P.A.F. FICA calculation to ensure T.P.A.F. FICA reimbursements are based on pensionable wages subject to FICA.

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

The amount of 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.

**GARFIELD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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-2 and 18A:39-3(A) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulates bidding for public school student transportation contracts under NJSA 18A:39-3 which is currently \$19,000.

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. 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 District's Business Administrator is qualified and the Board has designated the Business Administrator as the qualified purchasing agent and established the bid threshold at \$40,000.

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 obtained before a commitment is made.

The results of our examination did indicate that 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 advertising for bids, in accordance with the provision of N.J.S.A. 18A:18A-4, as amended.

Finding (CAFR Finding 2018-003) – Our audit of purchases and procedures related to compliance with the Public School Contracts Law revealed the following:

- A contract awarded for extraordinary unspecifiable services (EUS) was not approved in the minutes and subsequently advertised in the official newspaper.
- Supporting detail for purchases made in accordance with State contracts was not available.
- Purchasing requirements that apply to National Cooperative contracts awards were not followed.
- Public bids were not received for the purchase of transportation fuel in excess of the bid threshold.

Recommendation – Continued efforts be made to be in compliance with requirements of the Local Public Contracts Law.

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 that purchases were made through the use of state contracts.

School Food Service

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.

Non-program foods were purchased, prepared, sold, or offered for sale by the District.

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

**GARFIELD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

School Food Service (Continued)

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

Finding – Our audit of the Food Service Fund revealed an accounts receivable balance due from students in the amount of \$21,700 at June 30, 2018.

Recommendation – The District continue to review the student accounts receivable in the Food Service Fund and uncollectible amounts be cleared of record.

Finding – We noted sales and expenses for services provided for a non profit organization that were reported on the Food Service Management Company's (FSMC) operating statement. These services were not for a District related program.

Recommendation – Food Service Management Company (FSMC) discontinue reporting the sales and expenses related to the services provided for the non District school activity on the FSMC operating statement.

The State Department of Agriculture conducted a review of the School Nutrition Program. The review covered the period of July 1, 2016 through June 30, 2017.

The findings noted in the report were as follows:

- Quotes for purchases in excess of the micro-purchase threshold (\$3,500) were not retained and available for review.
- Purchases made from one (1) vendor for repairs of cafeteria equipment were not distributed to other vendors.
- Discounts, rebates and credits should be in detail on the Food Service Management Company's (FSMC) operating statement.

On October 29, 2018 the District approved a corrective action plan to address the findings noted in the State's School Nutrition monitoring report. The District must continue to monitor the approved corrective action plan to ensure each finding has been properly addressed.

Student Body Activities

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

Cash receipts were promptly deposited for student activity accounts.

Cash disbursements had proper supporting documentation.

Finding – Our audit revealed certain financial transactions in the Middle School and Child Study student activity accounts did not appear to be related to student organizations or activities.

Recommendation – Only financial transactions related to student body organizations and activities be accounted for in the Middle School and Child Study student activity accounts.

Application for State School Aid

Our audit procedures included a test of information reported in the October 13, 2017 Application for State School Aid (ASSA) for on-roll, private schools for the disabled, related services, 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 immaterial exceptions. The information that was included on the workpapers was verified with immaterial exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

The District did maintain workpapers on the prescribed state forms or their equivalent for all reporting categories.

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

**GARFIELD BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

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 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 exemptions were noted in our review of transportation related purchases of goods and services.

Facilities and Capital Assets

Since the District is classified as an At Risk School District, a portion of the SDA grant activity is conducted by the State on behalf of the Board. This on-behalf grant activity is reported in the District's financial statements as State aid revenue and capital outlay expenditures in the Capital Projects Fund.

With respect to direct SDA grants to the District, our procedures included a review of the SDA grant agreements for consistence 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.

Testing for Lead of all Drinking Water in Educational Facilities

The school district adhered to all 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 submitted the annual Statement of Assurance to the Department of Education, pursuant to N.J.A.C. 6A:26-12.4(g).

Follow-up Prior Year Findings

In accordance with government standards, our procedures included a review of all prior year recommendations.

Suggestions to Management

- It is suggested that the unearned revenues in the General and Special Revenue Funds in the amount of \$55,682 be reviewed and cleared of record.

**GARFIELD BOARD OF EDUCATION
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

SCHEDULE OF MEAL COUNT ACTIVITY

Not Applicable

**GARFIELD BOARD OF EDUCATION
NET CASH RESOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Net Cash Resources:

Current Assets

Cash and Cash Equivalents	\$	360,262
Accounts Receivable		157,149

Current Liabilities

Less:

Accounts Payable		(204,659)
Unearned Revenue		(15,141)

Net Cash Resources	\$	<u>297,611</u>
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Adjusted Total Operating Expense:

Total Operating Expenses	\$	2,575,503
Less Depreciation		(73,375)

Adjusted Total Operating Expense	\$	<u>2,648,878</u>
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<u>Average Monthly Operating Expense:</u>	\$	<u>264,888</u>
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<u>Three Times Monthly Average:</u>	\$	<u>794,663</u>
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Total Net Cash Resources	\$	297,611
Three Times Monthly Average		794,663

Net Cash Resources below Three Month Average Expenses	\$	<u>(497,052)</u>
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GARFIELD BOARD OF EDUCATION
ASSA
SCHEDULE OF AUDITED ENROLLMENTS
10/13/2017

	2018-2019 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on		Reported on		Errors		Sample		Verified per		Errors per		Reported on	Sample		
	A.S.S.A.		Workpapers				Selected from		Register		Registers		A.S.S.A. as	for		
	On Roll		On Roll		Workpapers		On Roll		On Roll		On Roll		Private	Verifi-	Sample	Sample
Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Schools	cation	Verified	Errors	
Full Day Preschool - 3 years	262		262		-	-	98		98			-				
Full Day Preschool - 4 years	339		339		-	-	76		76			-				
Full Day Kindergarten	334		334		-	-	66		66			-				
One	308		308		-	-	60		60			-				
Two	282		282		-	-	58		57		1	-				
Three	316		316		-	-	55		55			-				
Four	320		320		-	-	53		53			-				
Five	274		274		-	-	44		44			-				
Six	288		288		-	-	288		289		(1)	-				
Seven	258		258		-	-	258		259		(1)	-				
Eight	227		227		-	-	227		227			-				
Nine	261		261		-	-	258		255		3	-				
Ten	231	6	231	6	-	-	224		224			-				
Eleven	206		206		-	-	201		198		3	-				
Twelve	240	8	240	8	-	-	234		235		(1)	-				
Adult High School(15+ Credits)	6		6		-	-						-				
Subtotal	4,152	14	4,152	14	-	-	2,200	-	2,196	-	4	-	-	-	-	-
Spec Ed - Elementary	379		379		-	-	58		60		(2)	-	3	2	2	-
Spec Ed- Middle School	213	-	213		-	-	213		217		(4)	-	4	3	3	-
Spec Ed - High School	176	2	176	2	-	-	155		156		(1)	-	13	12	12	-
Subtotal	768	2	768	2	-	-	426	-	433	-	(7)	-	20	17	17	-
Totals	4,920	16	4,920	16	-	-	2,626	-	2,629	-	(3)	-	20	17	17	-
Percentage Error					0.00%	0.00%					-0.11%	0.00%				0.00%

**GARFIELD BOARD OF EDUCATION
ASSA
SCHEDULE OF AUDITED ENROLLMENTS
10/13/2017**

	Resident 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
Full Day Pre-School (3 Yrs)			-			-			-			-
Full Day Pre-School (4 Yrs)			-			-			-			-
Full Day Kindergarten	230.0	230.0		5.0	5.0	-	25.0	25.0	-	5.0	5.0	-
One	227.0	227.0	-	5.0	5.0	-	17.0	17.0	-	4.0	4.0	-
Two	213.0	213.0	-	5.0	5.0	-	12.0	12.0	-	3.0	3.0	-
Three	234.0	234.0	-	5.0	5.0	-	18.0	18.0	-	3.0	3.0	-
Four	243.0	243.0	-	5.0	5.0	-	18.0	18.0	-	4.0	4.0	-
Five	198.0	198.0	-	4.0	4.0	-	13.0	13.0	-	3.0	3.0	-
Six	191.0	191.0	-	4.0	4.0	-	13.0	13.0	-	3.0	3.0	-
Seven	169.0	170.0	1.0	4.0	4.0	-	12.0	12.0	-	3.0	3.0	-
Eight	155.0	155.0	-	4.0	4.0	-	9.0	9.0	-	2.0	2.0	-
Nine	197.0	197.0	-	4.0	4.0	-	12.0	11.0	1.0	2.0	2.0	-
Ten	170.0	171.0	1.0	4.0	4.0	-	15.0	15.0	-	3.0	3.0	-
Eleven	148.0	147.0	(1.0)	3.0	3.0	-	12.0	12.0	-	3.0	3.0	-
Twelve	179.0	179.0	-	4.0	4.0	-	6.0	6.0	-	1.0	1.0	-
Subtotal	2,554.0	2,555.0	1.0	56.0	56.0	-	182.0	181.0	1.0	39.0	39.0	-
Spec Ed - Elementary	304.0	304.0	-	6.0	6.0	-	2.0	2.0	-	1.0	1.0	-
Spec Ed- Middle School	174.0	174.0	-	4.0	4.0	-	1.0	1.0	-	1.0	1.0	-
Spec Ed - High School	156.0	154.5	(1.5)	5.0	5.0	-	3.0	2.0	1.0	1.0	1.0	-
Training School	1.0	1.0	-									
Juv Detention	1.0	1.0	-									
	636.0	634.5	(1.5)	15.0	15.0	-	6.0	5.0	1.0	3.0	3.0	-
Totals	3,190.0	3,189.5	(0.5)	71.0	71.0	-	188.0	186.0	2.0	42.0	42.0	-
Percentage Error			<u>-0.02%</u>			<u>0.00%</u>			<u>1.06%</u>			<u>0.00%</u>

	Transportation					
	Reported on DRTRS by District	Reported on DRTRS by DOE	Errors	Tested	Verified	Errors
Regular Public Schools	236.0	236.0	-	33.0	32.0	1.0
Transported Non-Public	29.0	29.0	-	4.0	4.0	-
Regular Special Ed.	31.0	31.0	-	4.0	5.0	(1.0)
Special Needs or OOD	156.0	156.0	-	22.0	22.0	-
Totals	452.0	452.0	-	63.0	63.0	-
			<u>0.00%</u>			<u>0.00%</u>

**GARFIELD BOARD OF EDUCATION
ASSA
SCHEDULE OF AUDITED ENROLLMENTS
10/13/2017**

	LEP Not 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 Register	Sample Errors
Full Day Pre-School (3 Yrs)			-			-
Full Day Pre-School (4 Yrs)			-			-
Full Day Kindergarten	22.0	22.0	-	3.0	3.0	-
One	13.0	13.0	-	1.0	1.0	-
Two	8.0	8.0	-	1.0	1.0	-
Three	7.0	7.0	-	1.0	1.0	-
Four	8.0	7.0	1.0	1.0	1.0	-
Five	6.0	6.0	-	1.0	1.0	-
Six	5.0	5.0	-	1.0	1.0	-
Seven	6.0	6.0	-	1.0	1.0	-
Eight	6.0	6.0	-	1.0	1.0	-
Nine	6.0	6.0	-	1.0	1.0	-
Ten	7.0	7.0	-	1.0	1.0	-
Eleven	8.0	8.0	-	1.0	1.0	-
Twelve	1.0	1.0	-	1.0	1.0	-
Subtotal	103.0	102.0	1.0	15.0	15.0	-
Spec Ed - Elementary	2.0	2.0	-	1.0	1.0	-
Spec Ed- Middle School			-			-
Spec Ed - High School			-			-
	2.0	2.0	-	1.0	1.0	-
Totals	105.0	104.0	1.0	16.0	16.0	-
Percentage Error			<u>0.95%</u>			<u>0.00%</u>

**GARFIELD BOARD OF EDUCATION
EXCESS SURPLUS CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

SECTION 1B

A. 2% Calculation of Excess Surplus

2017-2018 Total General Fund Expenditures reported on Exhibit C-1	\$	99,724,482
Increased by Applicable Operating Transfers		
Transfer to Special Revenue Fund - Preschool Education		604,840
Less: Expenditures allocated to restricted federal sources as reported on Exhibit D-2		<u>(565,414)</u>
2017-2018 Adjusted General Fund & Other State Expenditures	\$	99,763,908
Decreased by:		
On-Behalf TPAF Pension & Social Security		(12,525,701)
Assets Acquired Under Capital Leases		<u>(335,813)</u>
Adjusted 2017-2018 General Fund Expenditures	\$	<u>86,902,394</u>
2% of Adjusted 2017-2018 General Fund Expenditures	\$	<u>1,738,048</u>
Enter Greater of 2% of Adjusted 2017-2018 General Fund Expenditures or \$250,000	\$	1,738,048
Increased by: Allowable Adjustment		
Extraordinary Aid		321,554
Nonpublic Transportation Aid		<u>8,410</u>
		<u>329,964</u>
Maximum Unassigned Fund Balance	\$	<u>2,068,012</u>

SECTION 2

Total General Fund - Fund Balances at June 30, 2018 (Per CAFR Budgetary Comparison schedule/statement)	\$	5,079,558
Decreased by:		
Year End Encumbrances	\$	92,469
Capital Reserve		1
Designated for Subsequent Years Expenditures		<u>1,732,000</u>
		<u>1,824,470</u>
Total Unassigned Fund Balance	\$	<u>3,255,088</u>

SECTION 3 - All Districts

Fund Balance - Excess Surplus	\$	<u>1,187,076</u>
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Recapitulation of Excess Surplus as of June 30, 2018

Excess Surplus	\$	<u>1,187,076</u>
Total Excess Surplus	\$	<u>1,187,076</u>

**GARFIELD BOARD OF EDUCATION
ENCUMBRANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

Encumbrances per the June 30, 2018

<u>Description</u>	<u>Total by Category</u>	<u>Amount Properly Encumbered</u>	<u>Encumbrances Canc./Recl. Through Audit Adjustments</u>
Board Secretary Report (Funds 11, 12, 13)			\$ 92,469
Electricity	<u>73,851</u>	<u>-</u>	<u>-</u>
Total Audited	<u>73,851</u>	<u>-</u>	<u>-</u>
Unaudited	<u>20,618</u>	<u>-</u>	<u>-</u>
Total Encumbrances	<u>92,469</u>	<u>-</u>	<u>-</u>
Total Encumbrances Cancelled During the Audit			<u>-</u>
Sub-total Fund Balance Reserved for Encumbrances			92,469
Add: Unrecorded Encumbrances			<u>-</u>
Fund Balance Reserved for Encumbrances in the CAFR			<u>\$ 92,469</u>

**GARFIELD BOARD OF EDUCATION
ENCUMBRANCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

**Encumbrances per the June 30, 2018
Board Secretary Report (Funds 15)**

<u>Description</u>	<u>Total by Category</u>	<u>Amount Properly Encumbered</u>	<u>Encumbrances Cancelled Through Audit Adjustments</u>	\$ -
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
	-	-	-	
Total Audited	-	-	-	
Unaudited	-	-	-	
Total Encumbrances	-	-	-	
Total Encumbrances Cancelled During the Audit				-
Sub-total Fund Balance Reserved for Encumbrances in the CAFR				-
Add: Unrecorded Encumbrances				-
Fund Balance Reserved for Encumbrances in the CAFR				-
Total General Fund				\$ 92,469

**GARFIELD BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administration Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. Liabilities be reviewed to ensure the appropriate accruals are recorded at year end and purchase orders be accurately classified as an accounts payable or reserved for encumbrance, or otherwise be cancelled.
- * 2. A billing and accounts receivable ledger be maintained and updated for tuition charged for special education students attending the District.
- * 3. All checks issued from the scholarship account be approved in the official minutes.
4. The Extraordinary Aid application be reviewed to ensure all services and costs reported on the student enrollment form are properly reflected in the students Individualized Education Plan (IEP) and in agreement with tuition contracts and certified rates.
5. Transfers be made from available Preschool Education program funds prior to the overexpenditure of line item budget accounts.
6. The District review with its payroll service vendor the T.P.A.F. FICA calculation to ensure T.P.A.F. FICA reimbursements are based on pensionable wages subject to FICA.

III. School Purchasing Program

- * It is recommended that continued efforts be made to be in compliance with the requirements of the Local Public Contracts Law.

IV. Food Service Fund

It is recommended that:

- * 1. The District continue to review the student accounts receivable in the Food Service Fund and uncollectable amounts be cleared of record.
- 2. The Food Service Management Company (FSMC) discontinue reporting the sales and expenses related to the services provided for the non District school activity on the FSMC operating statement.

V. Student Body Activities

It is recommended that only financial transactions related to student body organizations and activities be accounted for in the Middle School and Child Study student activity accounts.

**GARFIELD BOARD OF EDUCATION
RECOMMENDATIONS**

VI. Application for State School Aid

There are none.

VII. Pupil Transportation

There are none.

VIII. Facilities and Capital Assets

There are none.

IX. Miscellaneous

There are none.

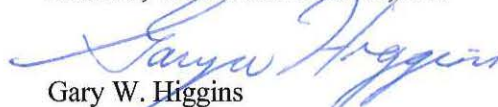
X. Status of Prior Years' Audit Findings/Recommendations

A review was performed on all prior years' recommendations and corrective action was taken on all, except the recommendation denoted with an asterisk (*).

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



Gary W. Higgins
Public School Accountant
Certified Public Accountant