

**LAKEWOOD TOWNSHIP SCHOOL DISTRICT**

**Lakewood, New Jersey  
County of Ocean**

**Auditor's Management Report on Administrative Findings -  
Financial, Compliance and Performance  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**



**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  
Lakewood Township School District  
County of Ocean  
Lakewood, New Jersey 08068

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 Lakewood Township School District in the County of Ocean for the year ended June 30, 2018, and have issued our report thereon dated February 21, 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 Pemberton 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.

Michael Holt  
Certified Public Accountant  
Public School Accountant, No. 1148

Toms River, New Jersey  
February 21, 2019

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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 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>
Charles J. Fallon, CPA	Treasurer of School Monies	\$600,000

There is an Employee's Crime and Fidelity Coverage Policy with the American Guarantee and Liability Insurance Company covering all other employees with a coverage limit of \$500,000 per occurrence.

**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.

Payrolls were delivered to the School Business Administrator/Board Secretary who then deposited with warrants in separate bank accounts for net payroll and withholdings.

## **Financial Planning, Accounting and Reporting (continued)**

### **Payroll Account (continued)**

#### **Finding 2018-001 (CAFR Finding 2018-002)**

- It was noted during our audit that a proper analysis of payroll agency is not being completed or maintained.
- It was noted during our audit that the District did not timely enroll 19 employees into the Teachers' Pension and Annuity Fund (TPAF) and Public Employees Retirement System (PERS).

**Recommendation** – It is recommended that the internal controls over the District's payroll department be reviewed and enhanced.

### **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 disclosed the following:



## **Board Secretary's Records (continued)**

### **\*Finding 2018-002 (CAFR Finding 2018-001 & 2018-006)**

The District's General Fund unassigned budgetary fund balance was in a cumulative deficit position of \$3,100,041 as of June 30, 2018. In addition, the fund balance of the Special Revenue fund was in a cumulative deficit position of \$3,185,605 as of June 30, 2018.

**Recommendation** – It is recommended that continued efforts be made to eliminate the cumulative deficits in the General and Special Revenue Funds.

### **Finding 2018-003 (CAFR Finding 2018-004)**

- It was noted during our audit that the District general ledger was not reconciled monthly to other District subsidiary accounting records for the General, Special Revenue, Debt Service and Food Service Funds.
- It was noted during our audit that the District general ledger for all Fiduciary funds is not being maintained within the District's accounting system.

**Recommendation** – It is recommended that the District properly maintain its general ledger and reconcile monthly with other subsidiary accounting records for all funds.

### **Finding 2018-004 (CAFR Finding 2018-005)**

It was noted during our audit that the capital assets records were not properly updated for the Construction in Progress, Building Improvements and Depreciation accounts in a timely manner to reflect assets placed in service.

**Recommendation** – It is recommended that the District implement adequate internal control procedures over its capital assets, including periodic update of the general ledger for additions, disposals and depreciation on a timely basis.

## **Treasurer's Records**

Our review of the financial and accounting records maintained by the Treasurer of School Monies disclosed the following:

### **Finding 2018-005 (CAFR Finding 2018-003)**

The District's bank reconciliations for Private Purpose Scholarship Trust Fund and Parent Resource Center/College Application Trust Fund were not prepared in accordance with N.J.S.A. 18A:17-9 and were not prepared in a timely manner on a monthly basis due to a lack of maintaining a general ledger.

**Recommendation** – It is recommended that the District properly reconcile The Private Purpose Scholarship Trust Fund and Parent Resource Center/College Application Trust Fund bank accounts to the District's general ledger on a monthly basis.

**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 CAFR. This section of the CAFR documents the financial position pertaining to the projects under Titles I, II, III and IV 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: [http://lis.njleg.state.nj.us/cgi-bin/om\\_isapi.dll?clientID=1319801&depth=2&expandheadings=off&headigswithhits=on&infobase=statutes.nfo&softpage=TOC\\_Frame\\_Pg42](http://lis.njleg.state.nj.us/cgi-bin/om_isapi.dll?clientID=1319801&depth=2&expandheadings=off&headigswithhits=on&infobase=statutes.nfo&softpage=TOC_Frame_Pg42)

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. The law regulating bidding for public school student transportation contracts under *N.J.S.A. 18A:39-3* is \$18,800.

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*.

## **School Purchasing Programs (continued)**

### **Contracts and Agreements Requiring Advertisement for Bids (continued)**

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

### **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 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.

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 costs of goods sold.

Cash receipts and bank records were reviewed on a sample basis 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 and audited.

Expenditures should be separately recorded as food, labor and other costs. Vendor invoices were reviewed on sample basis 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.

### **\*Finding 2018-006**

It was noted during our audit that Net Cash Resources did exceed three months' average expenditures.

**Recommendation** – It is recommended that the District evaluate Net Cash Resources and implement a plan to reduce to lower than three months' average expenditures.

Time sheets were reviewed on a sample basis and labor costs verified. On a sample basis, payroll records were maintained on 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/certified in a timely manner.

### **School Food Service (continued)**

Applications for free and reduced price meals were reviewed on sample basis 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 Net Position (CAFR Schedule B-5) does separate program and non-program revenue and program and non-program cost of goods sold.

The School District maintains the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

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

### **Student Body Activities**

Our review of the financial and accounting records for student activities disclosed the following:

#### **Finding 2018-007**

It was noted during our audit that the District does not have internal control procedures in place which provide a proper audit trail to support documentation for all Student Activity receipts.

**Recommendation** – It is recommended that the District evaluate internal controls surrounding Student Activity receipts to ensure a proper audit trail can be provided for the annual audit.

### **Application for State School Aid (ASSA)**

Our audit procedures included a sample test of information reported in the October 13, 2017 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 with exceptions noted. The information that was included on the workpapers was verified with exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

#### **\*Finding 2018-008 (CAFR Finding 2018-007)**

It was noted during our audit that student counts claimed on the ASSA as On-Roll, Special Education Students, Private School for the Disabled, Low Income and Language English Proficient (ELL/LEP) students were not always able to be supported by the respective required documentation.

### **Application for State School Aid (ASSA)(continued)**

**Recommendation** – It is recommended that internal controls be enhanced to ensure that documentation to support students reported on the ASSA is retained for audit.

### **Pupil Transportation**

Our audit procedures included a sample 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 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. Additionally, the following was noted during our audit:

#### **Finding 2018-009**

It was noted during our audit that there were inefficiencies in policies and procedures surrounding the Transportation department. It was noted that a Transportation Study was performed by an independent consulting firm, which issued its report dated August 31, 2018.

**Recommendation** – It is recommended that the District review the recommendations as outlined by the Transportation Study provided by the independent consultants dated August 31, 2018 and implement policies and procedures as necessary to ensure inefficiency and waste is eliminated.

### **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 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. Corrective action had been taken on all prior year findings, with the exception of those findings denoted by an asterisk (\*).

**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, 2018.

**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.

Michael Holt  
Certified Public Accountant  
Public School Accountant, No. 1148

Toms River, New Jersey  
February 21, 2019

**ADDITIONAL INFORMATION**

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**SCHEDULE OF AUDITED ENROLLMENTS (1)**

**LAKEWOOD TOWNSHIP BOARD OF EDUCATION  
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		Workpapers		Selected from		Registers		Errors per		Reported on		Sample	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Full Day Preschool - 3 Yr. Old	17	-	17	-	2	-	2	-	-	-	-	-	-	-
Full Day Preschool - 4 Yr. Old	249	-	249	-	20	-	20	-	-	-	-	-	-	-
Full Day Kindergarten	363	-	363	-	188	-	186	-	2	-	-	-	-	-
One	357	-	357	-	192	-	191	-	1	-	-	-	-	-
Two	350	-	350	-	170	-	171	-	(1)	-	-	-	-	-
Three	428	-	428	-	111	-	108	-	3	-	-	-	-	-
Four	372	-	372	-	124	-	123	-	1	-	-	-	-	-
Five	435	-	435	-	73	-	72	-	1	-	-	-	-	-
Six	361	-	361	-	361	-	362	-	(1)	-	-	-	-	-
Seven	366	-	366	-	366	-	361	-	5	-	-	-	-	-
Eight	299	-	299	-	299	-	301	-	(2)	-	-	-	-	-
Nine	286	-	286	-	286	-	284	-	2	-	-	-	-	-
Ten	272	-	272	-	272	-	273	-	(1)	-	-	-	-	-
Eleven	222	32	222	32	222	32	222	33	-	(1)	-	-	-	-
Twelve	227	27	227	27	227	27	253	51	(26)	(24)	-	-	-	-
Subtotal	4,604	59	4,604	59	2,913	59	2,929	84	(16)	(25)	-	-	-	-
Special Ed - Elementary	628	-	628	-	18	-	57	-	(39)	-	198	95	82	13
Special Ed - Middle School	226	-	226	-	226	-	233	-	(7)	-	56	27	22	5
Special Ed - High School	157	10	157	10	157	10	164	11	(7)	(1)	89	43	37	6
Subtotal	1,011	10	1,011	10	401	10	454	11	(53)	(1)	343	165	141	24
Totals	5,615	69	5,615	69	3,314	69	3,383	95	(69)	(26)	343	165	141	24

Percentage Error 0.00% 0.00% -2.08% -37.68% 14.55%

SCHEDULE OF AUDITED ENROLLMENTS (2)

LAKEWOOD TOWNSHIP BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL-AID SUMMARY  
ENROLLMENT AS OF OCTOBER 13, 2017

	Resident Low Income			Resident LEP Low Income		
	Reported on A.S.S.A. as Low Income	Reported on Workpapers as Low Income	Errors	Reported on A.S.S.A. as LEP low Income	Reported on Workpapers as LEP low Income	Errors
Full Day Kindergarten	376	367	9	190	198	(8)
One	371	369	2	157	159	(2)
Two	353	354	(1)	48	199	(4)
Three	385	386	(1)	40	232	-
Four	337	340	(3)	16	156	2
Five	397	397	-	14	86	14
Six	350	350	-	8	47	8
Seven	311	312	(1)	6	23	5
Eight	246	246	-	6	17	3
Nine	258	260	(2)	6	18	3
Ten	212	216	(4)	6	22	2
Eleven	176	180	(4)	5	27.5	1
Twelve	159	162	(3)	5	19	2
Subtotal	3,931	3,939	(8)	244	230	14
				1,189.5	1,202.5	(13)
Special Ed - Elementary	673	669	4	39	210	205
Special Ed - Middle School	242	243	(1)	15	14	1
Special Ed - High School	180	187	(7)	11	11	-
Subtotal	1,095	1,099	(4)	64	238	233
				4	233	5
Subtotal	5,026	5,038	(12)	312	294	18
				1,427.5	1,435.5	(8)
DYFS Residential Centers	1	-	1	-	-	-
Train Sch/Secure Care	1	-	1	-	-	-
Juvenile Community Center	5	-	5	-	-	-
Subtotal	7	-	7	-	-	-
Totals	5,033	5,038	(5)	312	294	18
Percentage Error			-0.10%			5.77%
						-0.56%
						14.81%

	Transportation		
	Reported on DRTS by DOE/county	Reported on DRTS by District	Errors
Reg - Public Schools, col. 1	2,285	2,285	-
Reg -SpEd, col. 4	18	18	-
AIL, col. 2	7	7	-
Transported - Non-Public, col. 3	84	84	-
Special Ed Spec, col. 6	733	733	-
Totals	3,127	3,127	-
Percentage Error			-

**SCHEDULE OF AUDITED ENROLLMENTS (3)**

**LAKWOOD TOWNSHIP BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 13, 2017**

	Resident 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 Application & Register	Sample Errors
Full Day Kindergarten	20	19	1	2	2	-
One	10	9	1	1	1	-
Two	21	20	1	1	1	-
Three	23	22	1	1	1	-
Four	14	13	1	2	2	-
Five	12	11	1	2	2	-
Six	4	3	1	2	2	-
Seven	9	8	1	2	2	-
Eight	10	8	2	2	2	-
Nine	5	4	1	2	2	-
Ten	7	6	1	2	2	-
Eleven	8.5	8.5	-	2	2	-
Twelve	9.5	9.5	-	2	2	-
Subtotal	153.0	141.0	12.0	23	23	-
Special Ed - Elementary	13	12	1	2	2	-
Special Ed - Middle School	4	3	1	3	3	-
Special Ed - High School	1	1	-	1	1	-
Subtotal	18	16	2	6	6	-
Totals	171.0	157.0	14.0	29	29	-
Percentage Error			8.19%			-

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## EXCESS SURPLUS CALCULATION

### SECTION 1

Calculation A: 2% Excess Surplus:

All Districts required to use school-based budgeting are required to complete this calculation using 2% on line A10.

2017-2018 Total General Fund Expenditures Reported on Exhibit (C-1)	\$ <u>156,330,330</u> (A)
Increased by Applicable Operating Transfers:	
Transfer from Capital Outlay to Capital Projects	\$ <u>          -</u> (A1a)
Transfer from Capital Reserve to Capital Projects	\$ <u>          -</u> (A1a)
Transfer from General Fund to SRF for PreK-Regular	\$ <u>          -</u> (A1a)
Transfer from General Fund to SRF for PreK-Inclusion	\$ <u>          -</u> (A1a)
Less: Expenditures Allocated to Restricted Federal Resources as Reported on Exhibit D-2	\$ <u>          -</u> (A1b)
2017-2018 Adjusted General Fund & Other State Expenditures [(A)-(A1)]	\$ <u>156,330,330</u> (A2)
Decreased by:	
On-Behalf TPAF Pension & Social Security	\$ <u>10,398,267</u> (A3)
Assets Acquired Under Capital Leases:	
General Fund 2018 Assets Acquired Under Capital Leases reported on Exhibit C-1a	\$ <u>493,297</u> (A4)
Add: General Fund & State Resources Portion of Fund 15 Assets Acquired Under Capital Leases:	
Assets Acquired Under Capital Leases in Fund 15 Reported on Exhibit C-1a	\$ <u>          -</u> (A5)
Combined General Fund Contribution & State Resources Percent of Fund 15 Resources Reported on Exhibit D-2	<u>100.00%</u> (A6)
General Fund & State Resources Portion of Fund 15 Assets Acquired Under Capital Leases [(A5)*(A6)]	\$ <u>          -</u> (A7)
Total Assets Acquired Under Capital Leases [(A4)+(A7)]	\$ <u>493,297</u> (A8)
2017-2018 General Fund Expenditures [(A-2)-(A-3)-(A-8)]	\$ <u>145,438,766</u> (A9)
2% of Adjusted 2017-2018 General Fund Expenditures [(A9) times .02]	\$ <u>2,908,775</u> (A10)
Enter Greater of (A10) or \$250,000	\$ <u>2,908,775</u> (A11)
Increased by: Allowable Adjustment *	\$ <u>21,477</u> (K)
Maximum Unassigned Fund Balance [(A11)+(K)]	\$ <u><u>2,930,252</u></u> (M)

**EXCESS SURPLUS CALCULATION (continued):**

**SECTION 2:**

Total General Fund - Fund Balances @ 06/30/2018 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>(2,139,722)</u> (C)
Decreased by:	
Year-End Encumbrances	\$ <u>960,319</u> (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ <u>-</u> (C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ <u>-</u> (C3)
Other Restricted Fund Balances ****	\$ <u>-</u> (C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ <u>-</u> (C5)
Additional Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures (July 1, 2018 - August 1, 2018)	\$ <u>-</u> (C6)*****
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]	\$ <u>(3,100,041)</u> (U)

**SECTION 3**

Restricted Fund Balance - Excess Surplus *** {(U)-(M)} IF NEGATIVE ENTER -0-	\$ <u>-</u> (E)
Restricted Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ <u>-</u> (C3)
Restricted Excess Surplus *** {E)}	\$ <u>-</u> (E)
Total [(C3) + (E)]	\$ <u>-</u> (D)

**Footnotes:**

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

(H) Federal Impact Aid. The passage of P.L. 2015, c.46 amended N.J.S.A. 18A:7F-41 to permit a board of education to appropriate federal impact aid funds to establish or supplement a federal impact aid legal reserve in the general fund. Accordingly, effective for the year ending June 30, 2015 the Federal Impact Aid adjustment to expenditures is limited to the portion of Federal Impact Aid Section 8002 and Section 8003 received during the fiscal year and recognized as revenue on the General Fund Budgetary Comparison Schedule, but not transferred to the Federal Impact Aid Reserve - General (8002 or 8003) by board resolution during June 1 to June 30 of the fiscal year under audit. Amounts transferred to the reserve are captured on line (C4);

(I) Sale and Lease-back (Refer to the Audit Program Section II, Chapter 10);

(J1) Extraordinary Aid;

(J2) Additional Nonpublic Transportation Aid;

(J3) Recognized current year School Bus Advertising Revenue; and

(J4) Family Crisis Transportation Aid.

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

**Detail of Allowable Adjustments**

Impact Aid	\$ <u>-</u> (H)
Sale & Lease-back	\$ <u>-</u> (I)
Extraordinary Aid	\$ <u>21,477</u> (J1)
Additional Nonpublic School Transportation Aid	\$ <u>-</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)}	\$ <u>21,477</u> (K)

**EXCESS SURPLUS CALCULATION (continued):**

**SECTION 3 (continued):**

- \*\* This amount represents the June 30, 2017 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.
- \*\*\* Amount entered must agree with the June 30, 2018 CAFR and Audit Summary Worksheet 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 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.
- \*\*\*\*\* 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.

***Detail of Other Reserved Fund Balance***

Statutory Restrictions:

Approved Unspent Separate Proposal	\$ <u>          -</u>
Sale/Lease-Back Reserve	\$ <u>          -</u>
Capital Reserve	\$ <u>          -</u>
Maintenance Reserve	\$ <u>          -</u>
Emergency Reserve	\$ <u>          -</u>
Tuition Reserve	\$ <u>          -</u>
School Bus Advertising 50% Fuel Offset Reserve - current year	\$ <u>          -</u>
School Bus Advertising 50% Fuel Offset Reserve - prior year	\$ <u>          -</u>
Impact Aid General Fund Reserve (Sections 8002 and 8003)	\$ <u>          -</u>
Impact Aid Capital Fund Reserve (Sections 8007 and 8008)	\$ <u>          -</u>
Other State/Government Mandated Reserve	\$ <u>          -</u>
Other Restricted/Reserved Fund Balance Not Noted Above ****	\$ <u>          -</u>
Total Other Restricted/Reserved Fund Balance	\$ <u>          -</u> (C4)

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AUDIT RECOMMENDATIONS SUMMARY  
For the Fiscal Year Ended June 30, 2018  
Lakewood Township School District

Recommendations:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

**Finding 2018-001** – It is recommended that the internal controls over the District’s payroll department be reviewed and enhanced.

**\*Finding 2018-002** – It is recommended that continued efforts be made to eliminate the cumulative deficits in the General and Special Revenue Funds.

**Finding 2018-003** – It is recommended that the District properly maintain its general ledger and reconcile monthly with other subsidiary accounting records for all funds.

**Finding 2018-004** – It is recommended that the District implement adequate internal control procedures over its capital assets, including periodic update of the general ledger for additions, disposals and depreciation on a timely basis.

**Finding 2018-005** – It is recommended that the District properly reconcile the Private Purpose Scholarship Trust Fund and Parent Resource Center/College Application Trust Fund bank accounts to the District’s general ledger on a monthly basis.

3. School Purchasing Programs

None

4. School Food Service

**\*Finding 2018-006** – It is recommended that the District evaluate Net Cash Resources and implement a plan to reduce to lower than three months’ average expenditures.

5. Student Body Activities

**Finding 2018-007** – It is recommended that the District evaluate internal controls surrounding Student Activities receipts to ensure a proper audit trail can be provided for the annual audit.

6. Application for State School Aid

**\*Finding 2018-008** – It is recommended that internal controls be enhanced to ensure that documentation to support students reported on the ASSA is retained for audit.

AUDIT RECOMMENDATIONS SUMMARY (continued)  
For the Fiscal Year Ended June 30, 2018  
Lakewood Township School District

7. Pupil Transportation

**Finding 2018-009** – It is recommended that the District review the recommendations as outlined by the Transportation Study provided by the independent consultants dated August 31, 2018 and implement policies and procedures as necessary to ensure inefficiency and waste is eliminated.

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

A review was performed on the prior year recommendations and corrective action was taken on all prior year findings, with the exception of those findings denoted by an asterisk (\*).