

**RAHWAY SCHOOL DISTRICT
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2019**

**RAHWAY SCHOOL DISTRICT
TABLE OF CONTENTS**

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

	<u>Page No.</u>
Auditor's Management Report	1
Scope of Audit	2
Administrative Practices and Procedures	2
Financial Planning, Accounting and Reporting	2-4
School Purchasing Programs	5
School Food Service	5-6
Student Activity Funds/Athletic Association/Scholarships	6
Application for State School Aid	7
Pupil Transportation	7
Facilities and Capital Assets	7
Miscellaneous	7
Schedule of Meal Count Activity – Not Applicable	8
Net Cash Resource Schedule	9
Schedule of Audited Enrollments	10-12
Excess Surplus Calculation	13
Recommendations	14-15
Acknowledgment	15



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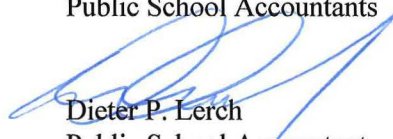
Honorable President and Members
of the Board of Education
Rahway School District
Rahway, New Jersey

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 Rahway School District as of and for the fiscal year ended June 30, 2019, and have issued our report thereon dated December 11, 2019.

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 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


Dieter P. Lerch
Public School Accountant
PSA Number CS00756

Fair Lawn, New Jersey
December 11, 2019

**RAHWAY SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Scope of Audit

The audit covered the financial transactions of the School Business Administrator, Board Secretary, Board designee, 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 (Exhibit J-20) contained in the District's Comprehensive Annual Financial Report (the "CAFR").

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Albert DiGiorgio	School Business Administrator	\$ 50,000

There is a Public Employees' Faithful Performance Blanket Position Bond with Selective Insurance covering all other employees with coverage of \$250,000.

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 supporting documentation.

Finding – Our audit indicated certain instances where the purchase order did not contain the required vendor certification signature.

Recommendation – Claimant signatures be obtained on all required purchase orders which exceed the quote threshold.

Payroll Account

The net salaries and payroll deductions and employer's share of payroll taxes of all employees of the Board were deposited in the Payroll Account.

All payrolls tested were certified by the President of the Board, the Board Secretary and the Chief School Administrator.

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

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (superintendent, assistant superintendents and business administrator) to the NJ Department of Treasury was filed.

The Board has implemented and maintains a personnel tracking and accounting (position control) system.

Finding – Our audit indicated several prior year checks remain outstanding on the reconciliation of the payroll bank account.

Recommendation – Old outstanding checks in the payroll account be cleared of record.

**RAHWAY SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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. 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.

Travel

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

Payments made to employees for travel were in accordance with the approved travel policy except for the following:

Finding – Our audit indicated that reimbursements for travel expenses were not supported by the required post travel purpose and relevance form.

Recommendation – Reimbursements for travel expenses be supported by a purpose and relevance form.

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-8.2. As a result of the procedures performed, no additional procedures were deemed necessary to test the propriety of expenditure classification

Board Secretary's Records

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

The Board Secretary's and designee's cash reports were presented monthly to the Board and were submitted to the Executive County Superintendent as prescribed by N.J.S.A. 18AS:17-9 and 18A:17-36.

Acknowledgment of the Board's receipt of the monthly financial reports was included in the minutes.

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

Finding – Our audit indicated that transactions occurring through the District's lease purchase escrow account were not reflected in the District's financial records.

Recommendation – Transactions of the District's lease purchase escrow account be reflected on the financial records of the District.

Board Designee – Bank Reconciliations

The Board has appointed the accountant as the designee to perform cash reconciliations.

The Board designee did perform cash reconciliations for certain District accounts (N.J.S.A. 18A:17-36).

The monthly bank reconciliations were in agreement with the records of the Board Secretary and designee that were approved in the official minutes.

**RAHWAY SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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./E.S.S.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, Title II, Title III and Title IV of the Elementary and Secondary Education Act, as amended..

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

I.D.E.A. Part B

Separate accounting records were maintained for each approved project.

Grant application approvals and acceptance of grant funds were made by Board resolution.

Non Public State Aid

Project completion reports were finalized and transmitted to the Department of Education by the due date.

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.

Finding (CAFR Finding 2019-002) – Our audit of the District’s Extraordinary Aid application indicated the following:

- Individual student costs claimed on the application were not in agreement with the respective tuition contract amount.
- The annual amount claimed for additional support costs on individual students was not able to be supported by adequate documentation.

Recommendation – Internal controls over the preparation of the extraordinary aid application be reviewed and enhanced to ensure that the correct amount of costs are claimed and are supported by adequate documentation.

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 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.

**RAHWAY SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

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. The law regulating bidding for public school student transportation contracts under NJSA 18:39-3 is currently \$19,000. The Board has approved a resolution designating the Business Administrator as a Qualified Purchasing Agent and the bid threshold of \$40,000.

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 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.

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 N.J.S.A. 18A:18A-10, 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.

Finding (CAFR Finding 2019-001) – Our audit of district vendor contract awards indicated the following:

- The purchase of a trailer was made, the cost of which exceeded the quote threshold, without obtaining quotes.
- The purchase of pre-k non-instructional equipment was made, the cost of which exceeded the bid threshold, without solicitation of bids through public advertisement.
- A contract was awarded for Occupational Therapy Services without the solicitation of bids or the use of competitive contracting.
- Payments made for custodial supplies, the cost of which exceeded the bid threshold, were made without solicitation of bids through public advertisement.

Recommendation – Internal control procedures over purchasing be reviewed and revised to ensure all contract awards and purchases which exceed the bid or quote threshold are made in accordance with the requirements of the Public School Contracts Law.

School Food Service

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

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

Cash receipts and bank records were reviewed for timely deposit.

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.

**RAHWAY SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

School Food Service (Continued)

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.

Exhibits reflecting Child Nutrition Program operations are included in the section entitled Enterprise Funds (Exhibits B4-B6).

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.

Net cash resources do not exceed three months average expenditures.

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.

Applications for free and reduced priced meals were reviewed for completeness and accuracy. The number of free and reduced priced meals claimed as serviced 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 priced meal policy was reviewed for uniform administration throughout the school system. The required verification procedures for free and reduced priced applications were completed and available for review.

The District contracted with Pomptonian, Inc. to manage the operations of the school food service operations and deposited funds in accordance with applicable State statutes. Provisions of the FSMC contract includes an operating results provision which has been met. All vendor discounts, rebates and credits from vendors and/or the FSMC were tracked and credited to the Food Service Account and reconciled to supporting documentation at least annually.

Student Activity Funds/Athletic Association/Scholarships

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

Finding – Our audit of the district’s student activity and athletic accounts indicated the following:

- Monthly bank account reconciliations are not being performed for the Roosevelt School account.
- Pre-numbered receipts and/or other documentation to support the source of student activity receipts are not being maintained.
- A transaction ledger was not maintained for the Middle School and Roosevelt School bank accounts.
- Approval forms were not always utilized for disbursements made from the Franklin School account.
- Old outstanding checks remain on the reconciliation of the High School bank account.

Recommendation – Internal controls over the student activity and athletic accounts be reviewed and enhanced.

**RAHWAY SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2018 Application for State School Aid (ASSA) for on-roll, private schools for the handicapped, related services, bilingual and low income. 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 exceptions noted. The information on the workpapers was verified with an isolated exception. The results are presented in the Schedule of Audited Enrollments.

Finding – Our audit indicated that the number of students reported as low income on the ASSA was not in agreement with supporting workpapers.

Recommendation – Greater care be taken over the preparation of the ASSA to ensure that low income student counts are supported by accurate workpapers.

The district maintained workpapers on the prescribed State forms or their equivalent.

The district written procedures appear to be adequate for the recording of student enrollment data, except as noted below.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2018-2019 District Report of Transported Resident Students (DRTRS). 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.

Facilities and Capital Assets

Our procedures included a review of the School Development Authority grant agreements for consistency with recording SDA revenue, transfer of local funds from the General Fund or from Capital Reserve and awarding of contracts for eligible facilities construction.

Finding – Our audit indicated that capital reserve withdrawals were made during the year for projects that were not submitted to the State of New Jersey for project approval.

Recommendation – Project approvals be obtained from the State of New Jersey prior to the withdrawal of funds from the District's capital reserve.

Miscellaneous

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 government auditing standards, our procedures included a review of all prior year recommendations including findings.

**RAHWAY SCHOOL DISTRICT
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM - FEDERAL
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

Not Applicable

**RAHWAY SCHOOL DISTRICT
FOOD SERVICE FUND
NET CASH RESOURCES SCHEDULE
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

NET CASH RESOURCES SCHEDULE

Net Cash Resources

Current Assets

Due from Other Funds	\$	231,543
Accounts Receivable		10,579
Intergovernmental Accounts Receivable		77,838

Current Liabilities

Accounts Payable		(20,087)
Unearned Revenue		(12,013)

Net Cash Resources **\$ 287,860 (A)**

Operating Expenditures

Total Operating Expenditures		2,163,227
Less Depreciation		(33,445)

Adjusted Total Operating Expenditures **\$ 2,129,782 (B)**

Average Monthly Operating Expense:

B / 10 **\$ 212,978 (C)**

Three times monthly Average:

C x 3 **\$ 638,935 (D)**

TOTAL IN BOX A	\$	287,860
LESS TOTAL IN BOX D	\$	<u>638,935</u>
NET	\$	<u>-</u>

**RAHWAY BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15, 2018**

	2019-20 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	Sample for Verifi- cation	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool - 3 years					-	-										
Half Day Preschool - 4 years					-	-										
Full Day Preschool - 3 years	30		30		-	-										
Full Day Preschool - 4 years	188		188		-	-	26		26							
Half Day Kindergarten					-	-										
Full Day Kindergarten	282		282		-	-	104		104							
One	234		234		-	-	40		40							
Two	243		243		-	-	78		78							
Three	240		240		-	-	62		62							
Four	271		271		-	-	93		93							
Five	264		264		-	-	49		49							
Six	265		265		-	-	62		62							
Seven	250		250		-	-	250		250							
Eight	242		242		-	-	242		242							
Nine	238		238		-	-	238		238	-						
Ten	230	6	230	6	-	-	230		230							
Eleven	162	12	162	12	-	-	162		162							
Twelve	206	12	206	12	-	-	206		206							
Subtotal	3,345	30	3,345	30	-	-	1,842	-	1,842	-	-	-	-	-	-	-
Spec Ed - Elementary	239		239		-	-	26		26				14.0	11.0	11.0	-
Spec Ed- Middle School	167		167		-	-	107		107				7.0	5.0	5.0	-
Spec Ed - High School	169	32	169	32	-	-	169		169				25.0	16.0	15.0	1.0
Subtotal	575	32	575	32	-	-	302	-	302	-	-	-	46.0	32.0	31.0	1.0
Totals	3,920	62	3,920	62	-	-	2,144	-	2,144	-	-	-	46.0	32.0	31.0	1.0
Percentage Error					<u>0.00%</u>	<u>0.00%</u>				<u>0.00%</u>	<u>0.00%</u>					<u>3.13%</u>

**RAHWAY BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15, 2018**

	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)			-			-			-			-
Full Day Preschool - 3 years	12.0	12.0				-			-			-
Full Day Preschool - 4 years	85.0	87.0	2.0			-			-			-
Half Day Kindergarten			-			-			-			-
Full Day Kindergarten	128.0	128.0	-	5.0	5.0	-	31.0	31.0	-	5.0	5.0	-
One	107.0	107.0	-	5.0	5.0	-	22.0	22.0	-	8.0	8.0	-
Two	129.0	129.0	-	5.0	5.0	-	21.0	21.0	-	6.0	6.0	-
Three	137.0	137.0	-	6.0	6.0	-	31.0	31.0	-	5.0	5.0	-
Four	139.0	139.0	-	4.0	4.0	-	21.0	21.0	-	4.0	4.0	-
Five	141.0	141.0	-	5.0	5.0	-	17.0	17.0	-	3.0	3.0	-
Six	142.0	142.0	-	4.0	4.0	-	9.0	9.0	-	3.0	3.0	-
Seven	130.0	163.0	33.0	4.0	4.0	-	11.0	11.0	-	2.0	2.0	-
Eight	126.0	154.0	28.0	4.0	4.0	-	6.0	6.0	-	2.0	2.0	-
Nine	126.0	126.0	-	5.0	5.0	-	9.0	9.0	-	2.0	2.0	-
Ten	123.0	123.0	-	5.0	5.0	-	15.0	15.0	-	3.0	3.0	-
Eleven	75.0	75.0	-	4.0	4.0	-	6.0	6.0	-	3.0	3.0	-
Twelve	84.0	84.0	-	3.0	3.0	-	8.0	8.0	-	2.0	2.0	-
Subtotal	1,684.0	1,747.0	63.0	59.0	59.0	-	207.0	207.0	-	48.0	48.0	-
Spec Ed - Elementary	118.0	118.0	-	5.0	5.0	-	25.0	25.0	-	4.0	4.0	-
Spec Ed- Middle School	101.0	101.0	-	4.0	4.0	-	2.0	2.0	-	1.0	1.0	-
Spec Ed - High School	85.0	85.0	-	3.0	3.0	-	2.0	2.0	-	1.0	1.0	-
Subtotal	304.0	304.0	-	12.0	12.0	-	29.0	29.0	-	6.0	6.0	-
Totals	1,988.0	2,051.0	63.0	71.0	71.0	-	236.0	236.0	-	54.0	54.0	-
Percentage Error			3.17%			0.00%			0.00%			0.00%

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular- Public Schools	184.0	184.0		20.0	20.0	-
Regular - Sped.	45.0	45.0		18.0	18.0	-
Transported- Non- Public	98.0	98.0		2.0	2.0	-
Special Needs- Public	187.0	187.0	-	22.0	21.0	(1.0)
Totals	514.0	514.0	-	62.0	61.0	(1.0)
			0.00%		11	-1.61%

**RAHWAY BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
SCHEDULE OF AUDITED ENROLLMENTS
OCTOBER 15, 2018**

	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 Register	Sample Errors
Half Day Pre-School (3 Yrs)			-			-
Half Day Pre-School (4 Yrs)			-			-
Full Day Pre-School (3 Yrs)			-			-
Full Day Pre-School (4 Yrs)	-	-	-			-
Half Day Kindergarten			-			-
Full Day Kindergarten	20.0	20.0	-	1.0	1.0	-
One	9.0	9.0	-	1.0	1.0	-
Two	13.0	13.0	-	1.0	1.0	-
Three	13.0	13.0	-	1.0	1.0	-
Four	11.0	11.0	-	1.0	1.0	-
Five	5.0	5.0	-	1.0	1.0	-
Six	3.0	3.0	-	1.0	1.0	-
Seven	4.0	4.0	-	1.0	1.0	-
Eight	2.0	2.0	-	1.0	1.0	-
Nine	4.0	4.0	-	1.0	1.0	-
Ten	7.0	7.0	-	1.0	1.0	-
Eleven	3.0	3.0	-	1.0	1.0	-
Twelve	1.0	1.0	-	1.0	1.0	-
Subtotal	<u>95.0</u>	<u>95.0</u>	-	<u>13.0</u>	<u>13.0</u>	-
Spec Ed - Elementary	6.0	6.0	-	1.0	1.0	-
Spec Ed- Middle School	-	-	-			-
Spec Ed - High School	1.0	1.0	-	1.0	1.0	-
Subtotal	<u>7.0</u>	<u>7.0</u>	-	<u>2.0</u>	<u>2.0</u>	-
Totals	<u>102.0</u>	<u>102.0</u>	-	<u>15.0</u>	<u>15.0</u>	-
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**RAHWAY SCHOOL DISTRICT
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2019**

SECTION 1

Calculation A: 2% Excess Surplus:

2018-19 Total General Fund Expenditures Reported on Exhibit C-1		\$ 76,733,068
Increased by:		
Capital Reserve Transfer to Capital Projects		371,157
Decreased by:		
On-Behalf TPAF Pension & Social Security		<u>(10,418,495)</u>
Adjusted 2018-19 General Fund Expenditures		<u>\$ 66,685,730</u>
2% of Adjusted 2018-19 General Fund Expenditures		<u>\$ 1,333,715</u>
Enter Greater of 2% of Adjusted 2018-19 General Fund Expenditures or \$250,000	\$ 1,333,715	
Increased by: Allowable Adjustment*	<u>378,660</u>	
Maximum Unassigned Fund Balance		<u>\$ 1,712,375</u>

SECTION 2 - All Districts

Total General Fund - Fund Balances at June 30, 2019 (Per CAFR Budgetary Comparison Schedule/Statement)		\$ 7,567,993
Decreased by:		
Year End Encumbrances		(178,308)
Capital Reserve / Maintenance Reserve		(1,150,589)
Excess Surplus -Designated for Subsequent Year's Expenditures		(2,056,135)
Assigned-Designated for Subsequent Year's Expenditures		<u>(514,283)</u>
Total Unassigned Fund Balance		<u>\$ 3,668,678</u>

SECTION 3

Fund Balance - Excess Surplus \$ 1,956,303

***Detail of Allowable Adjustments**

Extraordinary Aid		\$ 316,600
Additional Nonpublic School Transportation Aid		<u>62,060</u>
		<u>\$ 378,660</u>

Recapitulation of Excess Surplus as of June 30, 2019

Restricted for Excess Surplus - Designated for Subsequent Year's Expenditures		\$ 2,056,135
Restricted for Excess Surplus		<u>1,956,303</u>
		<u>\$ 4,012,438</u>

**RAHWAY SCHOOL DISTRICT
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. Claimant signatures be obtained on all required purchase orders which exceed the quote threshold.
2. Reimbursements for travel expenses be supported by a purpose and relevance form.
3. Old outstanding checks in the payroll account be cleared of record.
4. Transactions of the District's lease purchase escrow account be reflected on the financial records of the District.
5. Internal controls over the preparation of the extraordinary aid application be reviewed and enhanced to ensure that the correct amount of costs are claimed and are supported by adequate documentation.

III. School Purchasing Program

- * It is recommended that internal control procedures over purchasing be reviewed and revised to ensure all contract awards and purchases which exceed the bid or quote threshold are made in accordance with the requirements of the Public School Contracts Law.

IV. School Food Service

There are none.

V. Student Body Activities/Athletics/Scholarships

- * It is recommended that internal controls over the student activity and athletic accounts be reviewed and enhanced.

VI. Application for State School Aid

It is recommended that greater care be taken over the preparation of the ASSA to ensure that low income student counts are supported by accurate workpapers.

VII. Pupil Transportation

There are none.

**RAHWAY SCHOOL DISTRICT
RECOMMENDATIONS**

VIII. Facilities and Capital Assets

It is recommended that project approvals be obtained from the State of New Jersey prior to the withdrawal of funds from the District's capital reserve

IX. Miscellaneous

There are none.

Follow-Up on Prior Year Findings

A review was performed on prior year's recommendations and corrective action was taken on all other than those denoted with an asterisk (*) above.

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



Dieter P. Lerch
Certified Public Accountant
Public School Accountant