

**KEARNY BOARD OF EDUCATION
INDEPENDENT AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2016**

**KEARNY 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
Kearny Board of Education
Kearny, 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 Kearny Board of Education as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated September 27, 2016.

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

This report is intended solely for the information and use of management, the Board of 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 J. Vinci
Public School Accountant
PSA Number CS00829

Fair Lawn, New Jersey
September 27, 2016

**KEARNY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Scope of Audit

The audit covered the financial transactions of the School Business Administrator/Board Secretary and Treasurer of School Moneys, the activities of the Board of Education, the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on the Insurance Schedule contained in the District's Comprehensive Annual Financial Report (the "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>
Michael DeVita	School Business Administrator/ Board Secretary	\$400,000
Michael J. Lamprecht, Sr.	Treasurer of School Monies	400,000

There is a Public Employees' Faithful Performance Blanket Position Bond with Selective Insurance covering all other employees with multiple coverage of \$500,000.

Financial Planning Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review indicated that the required signatures, certifications and supporting documentation were obtained on the respective purchase orders and/or vouchers other than certain isolated, immaterial instances.

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 payroll taxes were deposited in the Payroll Agency Account.

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

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

**KEARNY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Financial Planning Accounting and Reporting (Continued)

Payroll Account (Continued)

The District filed the required certification (ECERTI) of compliance with requirements for income tax on compensation of administrators with the NJ Department of Treasury by the March 15 due date.

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

Finding – The District’s 2015 year end W-3 form was not in agreement with the District’s 2015 Federal quarterly 941 reports. Differences were noted in taxable wages and Federal withholding taxes.

Recommendation – The District reconcile the W-3 form with the quarterly 941 forms prior to filing the W-3 form with the Internal Revenue Service.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserve for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered, as of June 30.

Classification of Expenditures

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

Board Secretary's and Treasurer's Records

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

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

The Treasurer and Board Secretary’s records are reconciled to each other.

Finding – The District awarded a contract for \$26.8 million in June 2016 for construction relating to the Kearny High School Expansion and Noise Abatement Project. The contract was not recorded as an encumbrance in the District’s year end Capital Projects Fund financial statements. An audit adjustment was made and the contract is reported in the year end financial statements.

Recommendation – The District encumber all capital contracts when awarded by the Board of Trustees.

Finding – At June 30, 2016, the Kearny High School Expansion and Noise Abatement Project in the Capital Projects Fund had a deficiency of available funds of approximately \$7.3 million. In September, 2016 the Board subsequently appropriated \$8 million from capital reserve to fund the deficiency, thus, no recommendation is warranted.

**KEARNY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Financial Planning Accounting and Reporting (Continued)

Elementary and Secondary Education Act (E.S.E.A.)/Improving America's Schools Act (IASA) as Reauthorized by the No Child Left Behind Act of 2001

The E.S.E.A./NCLB financial exhibits are contained within the Special Revenue section of the CAFR. This section of the CAFR documents the financial position pertaining to projects under Title I, Title II and Title III of the Elementary and Secondary Education Act and No Child Left Behind (NCLB).

The New Jersey Department of Education, Office of Fiscal Accountability and Compliance (OFAC) completed a fiscal audit of federal funds disbursed by the Kearny Board of Education. The funding sources reviewed included titled programs for the Elementary and Secondary Education Act (ESEA) and the Individuals with Disabilities Education Act (IDEA) for the period July 1, 2014 through May 31, 2016. The District completed and approved a corrective action plan to address the findings noted in the OFAC report.

Our examination indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

Finding – The time and activity reports for an employee charged to the IDEA Basic grant was not available for audit.

Recommendation – Time and activity reports for employees charged to the IDEA grant be retained for audit.

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 audit 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.

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.

Tuition Reimbursement to the State for Federal Salary Expenditures

The amount of the expenditures charged to the current year's final reports for all Federal awards for the 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 sixty day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

**KEARNY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

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 (as amended) 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 currently \$18,800. The District has designated the School Business Administrator to be the Qualified Purchasing Agent and has approved by resolution 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.

Based on the results of our examination, 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, amended.

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

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

Finding – Our audit of expenditures noted that in certain instances purchase orders were issued subsequent to the goods or services being received/rendered.

Recommendation – Purchase orders be issued prior to the ordering of goods and/or services.

Finding – State and County contracts and/or cooperative purchasing agreements utilized by the District were not always submitted to the Board of Trustees for their approval.

Recommendation – All State and County contracts and/or cooperative purchasing agreements be approved by the Board of Trustees.

School Food Service

The school food service program was not selected as a major federal or state program. However, the program expenses exceeded \$100,000 in federal support. Accordingly, we inquired of school management as to whether the School Food Authority (the "SFA") had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted. In addition, we inquired as to whether the SFA's expenses of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

**KEARNY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

School Food Service (Continued)

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.

Cash receipts and bank records were reviewed for timely deposit.

The district utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with NJSA 18A:17-34, and 19-1 through 19-4.1. Provisions of the FSMC contract were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will have a profit of at least \$70,000. The operating results provision has been met.

Expenses were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used. The cash disbursements records reflected expenses for program related goods and services. The appropriate revenue and expense records were maintained in order to substantiate the non-profit status of the school food service.

Net cash resources did not exceed three months average expenses.

The number of meals claimed for reimbursement was verified against sales and meal count records. As part of the claims review process the edit check worksheet was completed. Reimbursement claims were submitted in a timely manner.

Food Distribution Program commodities were received and a single inventory was maintained on first-in, first-out basis. Exhibits reflecting Child Nutrition Program operations are included in the CAFR on Exhibits B-4, B-5 and B-6.

Student Activity Funds/Athletic Association/Scholarship Accounts

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

Finding – Our audit of the student activity funds revealed the following:

- Cash receipt and disbursement ledgers were either not provided for audit or did not agree with the June 30, 2016 bank reconciliation.
- Bank reconciliations were not prepared and/or provided for audit for Roosevelt School and Garfield School.
- There were checks issued with only one authorized signature.
- Supporting documentation for certain disbursements was not available. Furthermore, payment approval forms are not always utilized.
- Prenumbered receipts were not always utilized by Roosevelt School and Schuyler School.
- The collection of monies and payment of expenditures for employee retirement parties were made in the High School Activity Account.

**KEARNY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Student Activity Funds/Athletic Association/Scholarship Accounts (Continued)

Recommendation – Uniform accounting procedures be implemented for all student activity accounts. In addition, student activity accounts be pre-audited to ensure that the procedures are being adhered to and all documentation is available for audit.

Finding – Our audit revealed that checks disbursed from the scholarship fund were issued as bank checks rather than a district check. The bank checks do not contain the signatures of district employees.

Recommendation – All payments made from scholarship accounts be made with a check authorized by at least two district employees.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2015 Application for State School Aid (ASSA) for on-roll, private schools for the handicapped, 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 exception. The information that was included on the application was verified with exceptions noted. The results are presented in the Schedule of Audited Enrollments.

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.

Finding – The District’s supporting workpapers for students reported in the ASSA categories for on-roll, resident low income, resident LEP low income and LEP not low income were not always in agreement with the number of students reported on the ASSA.

Recommendation – The District implement procedures to ensure that the student counts reported on the ASSA application are in agreement with the District’s internal workpapers.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2015-2016 District Report of Transported Resident Students (DRTRS) with exceptions noted. The results of our procedures are presented in the Schedule of Audited Enrollments.

Finding – Four students reported on the DRTRS as special education were below the mileage requirement but did not have transportation required by the Student’s Individualized Education Plan (I.E.P.).

Recommendation – The District review the DRTRS prior to submission to ensure that students transported have this service documented and reported on their I.E.P.

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

**KEARNY BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

Facilities and Capital Assets

The District's capital asset records were updated and in agreement with financial reports.

Miscellaneous

The School District complied with continuing disclosure agreements made in relation to the District's outstanding bond issuances.

Suggestions to Management

- Consideration be given to integrate the capital assets with the financial accounting software system.
- Prior year unearned revenue and due to grantor balances be reviewed and cleared of record.
- Balances of completed capital projects be reviewed and cleared of record.
- The District take action to collect the outstanding SDA grant receivables.

**KEARNY BOARD OF EDUCATION
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

This Schedule is Not Applicable for 2015-16.

**FOOD SERVICE ENTERPRISE FUND
CALCULATION OF NET CASH RESOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

This Schedule is Not Applicable for 2015-16.

**KEARNY BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2015
SCHEDULE OF AUDITED ENROLLMENTS**

	2015-2016 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 from Work- papers	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool 4 yrs	189.0		187.0		(2.0)		32.0		32.0		-	-				-
Full Day Kindergarten	368.0		363.0		(5.0)		62.0		62.0		-	-				-
Grade 1	373.0		373.0		-		75.0		75.0		-	-				-
Grade 2	370.0		371.0		1.0		56.0		56.0		-	-				-
Grade 3	398.0		398.0		-		125.0		125.0		-	-				-
Grade 4	385.0		384.0		(1.0)		61.0		61.0		-	-				-
Grade 5	403.0		403.0		-		47.0		47.0		-	-				-
Grade 6	377.0		377.0		-		66.0		66.0		-	-				-
Grade 7	369.0		368.0		(1.0)		368.0		368.0		-	-				-
Grade 8	368.0		368.0		-		368.0		368.0		-	-				-
Grade 9	386.0		382.0		(4.0)		382.0		382.0		-	-				-
Grade 10	398.0		394.0		(4.0)		394.0		394.0		-	-				-
Grade 11	363.0		359.0		(4.0)		359.0		359.0		-	-				-
Grade 12	340.0		347.0		7.0		347.0		347.0		-	-				-
Subtotal	5,087.0	-	5,074.0	-	(13.0)	-	2,742.0	-	2,742.0	-	-	-	-	-	-	-
Special Ed - Elementary	354.0		356.0		2.0		117.0		117.0		-	-	33.0	26.0	26.0	-
Special Ed - Middle	207.0		208.0		1.0		142.0		142.0		-	-	13.0	9.0	9.0	-
Special Ed - High	261.0		265.0		4.0		265.0		265.0		-	-	27.0	20.0	20.0	-
Subtotal	822.0	-	829.0	-	7.0	-	524.0	-	524.0	-	-	-	73.0	55.0	55.0	-
Totals	5,909.0	-	5,903.0	-	(6.0)	-	3,266.0	-	3,266.0	-	-	-	73.0	55.0	55.0	-
Percentage Error					<u>-0.10%</u>	<u>0.00%</u>					<u>0.00%</u>	<u>0.00%</u>				<u>0.00%</u>

**KEARNY BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2015
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Test Application and Register	Errors
Full Day Kindergarten	218.0	221.0	(3.0)	9.0	8.0	(1.0)	7.0	7.0	-	2.0	2.0	-
Grade 1	236.0	222.0	14.0	9.0	8.0	(1.0)	19.0	19.0	-	5.0	5.0	-
Grade 2	224.0	211.0	13.0	8.0	8.0	-	16.0	18.0	2.0	5.0	5.0	-
Grade 3	262.0	251.0	11.0	12.0	12.0	-	8.0	9.0	1.0	2.0	2.0	-
Grade 4	232.0	222.0	10.0	10.0	10.0	-	16.0	18.0	2.0	5.0	5.0	-
Grade 5	246.0	228.0	18.0	11.0	11.0	-	10.0	10.0	-	3.0	3.0	-
Grade 6	237.0	224.0	13.0	10.0	10.0	-	16.0	16.0	-	4.0	4.0	-
Grade 7	214.0	194.0	20.0	8.0	8.0	-	12.0	13.0	1.0	4.0	4.0	-
Grade 8	204.0	168.0	36.0	7.0	7.0	-	12.0	11.0	(1.0)	3.0	3.0	-
Grade 9	191.0	159.0	32.0	8.0	8.0	-	17.0	15.0	(2.0)	4.0	4.0	-
Grade 10	190.0	169.0	21.0	7.0	7.0	-	21.0	22.0	1.0	6.0	6.0	-
Grade 11	181.0	152.0	29.0	7.0	7.0	-	15.0	14.0	(1.0)	4.0	4.0	-
Grade 12	139.0	129.0	10.0	7.0	7.0	-	11.0	10.0	(1.0)	2.0	2.0	-
Subtotal	2,774.0	2,550.0	224.0	113.0	111.0	(2.0)	180.0	182.0	2.0	49.0	49.0	-
Special Ed - Elementary	258.0	230.0	28.0	10.0	10.0	-	2.0	5.0	3.0	1.0	1.0	-
Special Ed - Middle	143.0	117.0	26.0	5.0	5.0	-	1.0	1.0	-	1.0	1.0	-
Special Ed - High	165.0	138.0	27.0	6.0	6.0	-	2.0	2.0	-	1.0	1.0	-
Subtotal	566.0	485.0	81.0	21.0	21.0	-	5.0	8.0	3.0	3.0	3.0	-
Totals	3,340.0	3,035.0	305.0	134.0	132.0	(2.0)	185.0	190.0	5.0	52.0	52.0	-
Percentage Error			9.13%			-1.49%			2.70%			0.00%

	Transportation					
	Reported on DRTRS by DOE/County	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Special Ed. - Public	149.0	149.0	-	39.0	35.0	(4.0)
	22.0	22.0	-	6.0	6.0	-
Special Needs - Public	32.0	32.0	-	8.0	8.0	-
	203.0	203.0	-	53.0	49.0	(4.0)
Percentage Error			0.00%			-7.55%

**KEARNY BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2015
SCHEDULE OF AUDITED ENROLLMENTS**

	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 Worpapers	Sample Verified to Register	Errors
Full Day Kindergarten	8.0	8.0	-	4.0	4.0	-
Grade 1	8.0	7.0	1.0	4.0	4.0	-
Grade 2	6.0	6.0	-	3.0	3.0	-
Grade 3	5.0	4.0	1.0	2.0	2.0	-
Grade 4	7.0	5.0	2.0	3.0	3.0	-
Grade 5	6.0	6.0	-	3.0	3.0	-
Grade 6	4.0	4.0	-	2.0	2.0	-
Grade 7	3.0	2.0	1.0	1.0	1.0	-
Grade 8	11.0	12.0	(1.0)	6.0	6.0	-
Grade 9	4.0	6.0	(2.0)	3.0	3.0	-
Grade 10	14.0	13.0	1.0	7.0	7.0	-
Grade 11	12.0	11.0	1.0	6.0	6.0	-
Grade 12	5.0	8.0	(3.0)	4.0	4.0	-
Subtotal	93.0	92.0	1.0	48.0	48.0	-
Special Ed - Elementary	2.0	2.0	-	1.0	1.0	-
Special Ed - Middle	-	-	-	-	-	-
Special Ed - High	-	-	-	-	-	-
Subtotal	2.0	2.0	-	1.0	1.0	-
Total	95.0	94.0	1.0	49.0	49.0	-

Percentage Error

1.05%

0.00%

**KEARNY BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

2015-2016 Total General Fund Expenditures per the CAFR (Budgetary Basis)	\$ 89,226,893	
Increased by:		
Transfer to Food Service Fund	509,426	
	89,736,319	
Decreased by:		
On-Behalf TPAF Pension & Social Security	(9,788,700)	
Adjusted 2015-2016 General Fund Expenditures	<u>\$ 79,947,619</u>	
2% of Adjusted 2015-2016 General Fund Expenditures		
Allowable Adjustment - Extraordinary Aid Not Budgeted in 2015-2016	<u>109,272</u>	
Maximum Unreserved/Undesignated Fund Balance		\$ 1,708,224
Total General Fund - Budgetary Fund Balance at June 30, 2016	\$ 12,888,765	
Decreased by:		
Encumbrances	333,736	
Restricted Fund Balances		
Adult Education Programs	58,559	
Capital Reserve	8,662,011	
Assigned Fund Balance		
Designated for SEMI/ARRA	62,763	
Designated for Subsequent Year's Budget	<u>1,581,164</u>	
	<u>10,698,233</u>	
Total Unassigned Fund Balance		<u>2,190,532</u>
Fund Balance - Restricted for Excess Surplus		<u><u>\$ 482,308</u></u>

**KEARNY BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. The District reconcile the W-3 form with the quarterly 941 forms prior to filing the W-3 form with the Internal Revenue Service.
2. The District encumber all capital contracts when awarded by the Board of Trustees.
3. Time and activity reports for employees charged to the IDEA grant be retained for audit.

III. School Purchasing Program

It is recommended that:

- * 1. Purchase orders be issued prior to the ordering of goods and/or services.
- 2. All State and County contracts and/or cooperative purchasing agreements be approved by the Board of Trustees.

IV. School Food Service

There are none.

V. Student Body Activities/Athletics/Scholarships

It is recommended that:

1. Uniform accounting procedures be implemented for all student activity accounts. In addition, student activity accounts be pre-audited to ensure that the procedures are being adhered to and all documentation is available for audit.
2. All payments made from scholarship accounts be made with a check authorized by at least two district employees.

VI. Application for State School Aid

It is recommended that the District implement procedures to ensure that the student counts reported on the ASSA application are in agreement with the District's internal workpapers.

VII. Pupil Transportation

It is recommended that the District review the DRTRS prior to submission to ensure that students transported have this service documented and reported on their I.E.P.

VIII. Facilities and Capital Assets

There are none.

**KEARNY BOARD OF EDUCATION
RECOMMENDATIONS**

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 for the above recommendation denoted with an asterisk (*).

Respectfully submitted,



Gary J. Vinci
Certified Public Accountant
Public School Accountant