

**LEONIA BOARD OF EDUCATION
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2016**

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

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Honorable President and Members
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Leonia Board of Education
Leonia, New Jersey

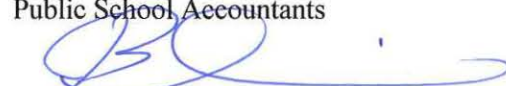
We have audited in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Leonia Board of Education, County of Bergen, State of New Jersey as of and for the fiscal year ended June 30, 2016, and have issued our report thereon dated December 1, 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 for the information 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

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


Jeffrey C. Bliss
Public School Accountant
PSA Number CS00932

Fair Lawn, New Jersey
December 1, 2016

**LEONIA 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 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>
James Olobardi	Interim Business Administrator/ Board Secretary	\$500,000
Antonette Kelly	Treasurer of School Monies	500,000

Tuition Charges

- **Finding** – Our audit of tuition fees revealed that the prior year tuition billings were not compared to certified tuition rates issued from the State Department of Education to determine if any adjustments are required to be made.

Recommendation – Certified tuition rates be reviewed and adjustments be made, if deemed necessary, in accordance with tuition agreements and New Jersey Administrative Code.

- **Finding** – Our audit revealed that rates and fees charged for Resource Room tuition, OT/PT and 1:1 Aide services were not approved by Board resolution.

Recommendation – The Resource Room tuition rate and O/T/PT and 1:1 Aides service fees be approved by Board resolution and be made part of the official minutes.

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 Chief School Administrator.

**LEONIA 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)

Salary withholdings were promptly remitted to the District's payroll service provider for submission to the proper agencies, including health benefit withholdings due to the General Fund.

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

The School Business Administrator completed and filed the required Certification of Compliance with Federal and State Law respecting the reporting of compensation for certain employees.

- **Finding** – Our audit of salaries revealed that certain custodian and maintenance employees who received a bus stipend were paid twice for the stipend. The stipend amount was included in the calculation of their regular base pay and again in a separate stipend check. In addition, we noted an employee was paid a stipend for a shortened lunch period that was not approved by Board resolution.

Recommendation - Internal control procedures be reviewed and revised to ensure that all stipends are paid in accordance with approved employment contracts and they be approved by Board resolution.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23-2.2(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:23-8.2. As a result of the procedures performed, 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.

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 2016-001)** – Our audit of the year end liabilities revealed that the salaries earned at June 30 by ten (10) month employees that are paid over twelve (12) months were not recorded as a liability at year end in the amount of \$470,102.

Recommendation – Procedures be revised to ensure unpaid salaries and wages earned at June 30 are properly recorded as a liability in the District's accounting records at year end.

Board Secretary's Records

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

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

Financial Planning, Accounting and Reporting (Continued)

Board Secretary's Records (Continued)

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

The prescribed contractual order system was followed.

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

Treasurer's Records

The Treasurer performed cash reconciliations for all District accounts in accordance with N.J.S.A. 18A:17-36.

All cash receipts were promptly deposited.

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

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

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.

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 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.

**LEONIA 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 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 \$18,800 for 2015-2016.

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 Board has designated the Interim Business Administrator as the qualified purchasing agent and has approved by Board resolution a bid threshold of \$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 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 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.

- **Finding (CAFR 2016-002)** – Our audit of purchases and contract awards for compliance with the Public School Contract Law revealed the following:
 - We noted instances where contract awards and purchases were made in excess of the bid threshold from vendors through cooperative purchasing contract awards (Ed Data, MRESC) that were not approved by Board resolution.
 - We also noted that certain professional service contract awards were not advertised in the official newspaper.
 - We noted that one (1) vendor Ocean Computer Group was paid in excess of the bid threshold for \$90,428 of computer equipment and supplies where there was no documentation provided to support publicly advertised bids were sought, a cooperative purchase contract was awarded or a competitive contacting process was conducted in accordance with the requirement of Public School contracts Law (N.J.S.A. 18A:18A).

Recommendation – Internal control procedures over purchasing be reviewed and revised to ensure all contract awards and purchases which exceed the bid threshold are made in accordance with the requirements of the Public School Contracts Law (N.J.S.A. 18A:18A).

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

Food Service Fund

The school food service program was not selected as a major federal or state program. However, the program expenditures 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 expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

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

Cash receipts and bank records were reviewed for timely deposit.

The District utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19-4.1. Provisions of the FSMC contract/addendum were reviewed. The FSMC contract includes an operating results provision which guarantees that the food service program will have a profit of \$100,000. The operating results provision has been met for the current fiscal year.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used.

The cash disbursements records reflected expenditures for program related goods and services. The Districts deposited program monies and made expenditures in accordance with N.J.S.A. 18A:17-34. The appropriate revenue and expenditure 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 expenditures.

U.S.D.A. commodities were received and a separate inventory was maintained on a first-in, first-out basis.

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

Student Body Activities

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

- **Finding** – We noted prenumbered receipt tickets and payment authorization forms were not utilized in the Anna C. Scott Elementary School student activity account. Our audit also revealed that there was only one (1) authorized signature on checks issued for payments in the Elementary School, Middle School, High School and Athletic accounts.

Recommendation – Prenumbered receipt tickets and payment authorization forms be utilized in all District's student activity accounts. In addition, all checks be required to have two (2) authorized signatures prior to issuance.

- **Finding** – We noted several instances where deposits were not made in a timely manner in the Anna C. Scott Elementary School student activity account.

Recommendation – Deposits be made in a timely manner in the Anna C. Scott Elementary School student account.

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

Student Body Activities (Continued)

- **Finding** – Our audit of the High School Student Activity Account revealed that there were three (3) checks that were made payable to “cash” totaling \$2,750 that did not have any supporting documentation attached to payment authorization form.

Recommendation - The practice of issuing checks made payable to “cash” be discontinued in the high school.

- **Finding** – Our audit of the High School Student Activity Account disbursements revealed certain payments made for goods and services that did not appear to be for student related type activities. In addition, we noted several sub-activity accounts that also do not appear to be for student related type activities.

Recommendation – The High School Student Account be utilized for only the financial transactions of student related activities and clubs.

Enrichment Program

Separate revenue and expense records and billing journals were maintained for the enrichment program.

- **Finding** – We noted that amounts collected were held for an extended period of time and were not deposited in a timely manner in the Enrichment Program.

Recommendation – Amounts collected for the Enrichment Program be deposited in a timely manner.

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 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 minor exceptions noted. The information that was included on the workpapers was verified with minor exceptions noted. 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.

Pupil Transportation

Our audit procedures included a test of on roll status reported in the 2015-2016 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

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

Facilities and Capital Assets

- **Finding** – Our audit of the District’s capital assets revealed that the capital asset inventory report was not in agreement with the District’s audit balance at June 30, 2016.

Recommendation – The capital asset accounting records be reviewed and reconciled to year end audit balances.

Follow-up Prior Year Findings

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

Suggestions to Management

- A formal resolution be approved by the board to appropriate additional transportation revenue to the budget after its adoption.
- Excess balance in the net payroll and payroll agency accounts be reviewed and any excess funds be returned to the General Fund.
- Payroll check distribution verification has not been completed since 2009 and is required to be performed every three years. Verification should be performed in the 2016/17 school year.
- Consideration to be given for establishing a summer savings plan for ten (10) month employees.

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

SCHEDULE OF MEAL COUNT ACTIVITY

This Schedule is not applicable for 2015-16.

**LEONIA BOARD OF EDUCATION
FOOD SERVICE FUND
COMPARISON OF NET CASH RESOURCES TO THREE MONTHS AVERAGE EXPENDITURES
AS OF JUNE 30, 2016**

NET CASH RESOURCE SCHEDULE

<u>Net Cash Resources:</u>	<u>Total</u>	<u>Reference</u>
Current Assets		
Cash & Cash Equivalents	\$ 154,787	
Intergovernmental Receivable	11,443	
Other Accounts Receivable		
Current Liabilities		
Less Accounts Payable	(29,923)	
Less Unearned Revenue	(8,823)	
Net Cash Resources	\$ 127,484	(A)
<u>Total Net Adjusted Operating Expenses:</u>		
Total Operating Expenses	\$ 598,019	
Less Depreciation	(13,817)	
Total Net Adjusted Total Operating Expenditures	\$ 584,202	(B)
<u>Average Monthly Operating Expenses:</u>		
Total Net Adjusted Operating Expenses (B) / 10 months	\$ 58,420	(C)
<u>Three Times Monthly Average:</u>		
3 X Average Monthly Expenses (C)	\$ 175,261	(D)

TOTAL NET CASH RESOURCES	\$ 127,484	(A)
LESS THREE MONTHS AVERAGE EXPENDITURES	\$ 175,261	(D)
NET OVER (UNDER)	\$ (47,777)	
NET CASH RESOURCES DO NOT EXCEED THREE MONTH AVERAGE EXPENDITURES		

LEONIA BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2015

	2016-17 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 Sample Verified		
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	
Half Day Preschool - 3 years					-	-											
Full Day Preschool - 3 years	1		-		1	-											
Half Day Preschool - 4 years					-	-											
Full Day Preschool - 4 years	15		15		-	-	15		15								
Half Day Kindergarten					-	-											
Full Day Kindergarten	84		84		-	-	84		84								
1st Grade	96		95		1	-	95		95								
2nd Grade	93		93		-	-	93		93								
3rd Grade	103		103		-	-	103		103								
4th Grade	96		96		-	-	96		96								
5th Grade	99		99		-	-	99		99								
6th Grade	104		105		(1)	-	105		105								
7th Grade	164		165		(1)	-	165		165								
8th Grade	166		165		1	-	165		165								
9th Grade	153		154		(1)	-	154		154								
10th Grade	162		162		-	-	162		162								
11th Grade	136		136		-	-	136		136								
12th Grade	145		147		(2)	-	147		147								
Subtotal	1,617	-	1,619	-	(2)	-	1,619	-	1,619	-	-	-	-	-	-	-	-
Spec Ed - Elementary	60		59		1	-								1	1	1	-
Spec Ed - Middle School	74		72		2	-								-	-	-	-
Spec Ed - High School	95		89		6	-								3	2	2	-
Subtotal	229	-	220	-	9	-	-	-	-	-	-	-	-	4	3	3	-
Totals	1,846	-	1,839	-	7	-	1,619	-	1,619	-	-	-	-	4	3	3	-
Percentage Error					<u><u>0.38%</u></u>					<u><u>0.00%</u></u>						<u><u>0.00%</u></u>	

**LEONIA BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2015**

2016-17 Application for State	Low Income			Sample for Verification			LEP Low Income			Sample for Verification		
	Reported on	Reported on	Errors	Sample Selected from	Verified to	Sample Errors	Reported on	Reported on	Errors	Sample Selected from	Verified to	Sample Errors
	A.S.S.A as Low Income	Workpapers as Low Income					A.S.S.A as Low Income	Workpapers as Low Income				
Half Day Preschool (3 years)												
Full Day Preschool (3 years)												
Half Day Preschool (4 years)												
Full Day Preschool (4 years)												
Half Day Kindergarten												
Full Day Kindergarten	6	8		2	2			3	(3)	2	2	
1st Grade	7	7	-	2	2		1	3	(2)	2	2	
2nd Grade	5	5	-	1	1		4	5	(1)	4	4	
3rd Grade	13	13	-	3	3		7	4	3	4	4	
4th Grade	16	17	(1)	4	4		5	4	1	3	3	
5th Grade	13	13	-	3	2	1	1	2	(1)	2	2	
6th Grade	5	5	-	1	1		1	1	-	1	1	
7th Grade	18	18	-	4	4		1	1	-	1	1	
8th Grade	21	21	-	5	4	1	1	1	-	1	1	
9th Grade	27	27	-	6	5	1	4	2	2	2	2	
10th Grade	23	22	1	5	4	1	1	1	-	1	1	
11th Grade	24	24	-	6	6		1	1	-	1	1	
12th Grade	27	28	(1)	7	7		1	-	1	-	-	
Subtotal	205	208	(1)	49	45	4	28	28	-	24	24	-
Spec Ed - Elementary	10	10		3	3		1	1	-	1	1	
Spec Ed - Middle School	9	11	(2)	1	1		-	-	-	-	-	
Spec Ed - High School	15	20		3	3		1	1	-	1	1	
Subtotal	34	41	(2)	7	7	-	2	2	-	2	2	-
Totals	239	249	(3)	56	52	4	30	30	-	26	26	-
Percentage Error			<u>-1.26%</u>			<u>7.14%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation					
	Reported on	Reported on	Errors	Tested	Verified	Errors
	DRTRS by DOE	DRTRS by District				
Regular - Public Schools	55	55	-	42	42	-
Transported - Non-Public	-	-	-	-	-	-
AIL	-	-	-	-	-	-
Regular - Spec.	-	-	-	-	-	-
Special Needs - Public	15	15	-	11	11	-
Totals	70	70	-	53	53	-
			<u>0.00%</u>			<u>0.00%</u>

**LEONIA BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2015**

	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
Half Day Preschool (3 years)			-			-
Full Day Preschool (3 years)			-			-
Half Day Preschool (4 years)			-			-
Full Day Preschool (4 years)			-			-
Half Day Kindergarten			-			-
Full Day Kindergarten		9	(9)	6	6	-
1st Grade	5	1	4	1	1	-
2nd Grade	4	4	-	2	2	-
3rd Grade	2	2	-	1	1	-
4th Grade	3	2	1	1	1	-
5th Grade	1	-	1	-	-	-
6th Grade	3	5	(2)	2	2	-
7th Grade	2	8	(6)	6	6	-
8th Grade	6	7	(1)	6	6	-
9th Grade	3	4	(1)	3	3	-
10th Grade	5	4	1	3	3	-
11th Grade	2	1	1	1	1	-
12th Grade	1	-	1	-	-	-
Subtotal	<u>37</u>	<u>47</u>	<u>(10)</u>	<u>32</u>	<u>32</u>	<u>-</u>
Spec Ed - Elementary	1	1	-	1	1	-
Spec Ed - Middle School	-	-	-	-	-	-
Spec Ed - High School	1	1	-	1	1	-
Subtotal	<u>2</u>	<u>2</u>	<u>-</u>	<u>2</u>	<u>2</u>	<u>-</u>
Totals	<u>39</u>	<u>49</u>	<u>(10)</u>	<u>34</u>	<u>34</u>	<u>-</u>
Percentage Error			<u>-25.64%</u>			<u>0.00%</u>

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

SECTION 1 - Regular District

Two Percent (2%) - Calculation of Excess Surplus

2015-2016 Total General Fund Expenditures per the CAFR	\$	33,210,214
Increased by:		
Capital Reserve Transfer to Capital Projects		
Decreased by:		
Assets Acquired Under Capital Leases		(281,629)
On-Behalf TPAF Pension & Social Security		<u>(3,366,982)</u>
Adjusted 2015-2016 General Fund Expenditures	\$	<u>29,561,603</u>
2% of Adjusted 2015-2016 General Fund Expenditures	\$	591,232
Allowable Adjustments - Extraordinary Aid		<u>31,774</u>
Maximum Unassigned Fund Balance	\$	623,006

SECTION 2

Total General Fund - Fund Balance at June 30, 2016

(Per CAFR Budgetary Comparison Schedule/Statement C-1)

\$ 9,413,017

Decreased by:

Restricted Fund Balances - Capital Reserve	\$	3,065,000	
Restricted Fund Balances - Maintenance Reserve		300,000	
Restricted Fund Balances - Emergency Reserve		100,000	
Restricted Fund Balances - Tuition Reserve		75,000	
Excess Surplus Designated for Subsequent Year's Expenditures		2,214,056	
Assigned - Year End Encumbrances		358,192	
Assigned - Designated for Subsequent Year's Expenditures		<u>248,127</u>	
		<u>6,360,375</u>	

Total Unassigned Fund Balance		<u>3,052,642</u>
Restricted Fund Balance - Excess Surplus		<u>\$ 2,429,636</u>

SECTION 3

Recapitulation of Excess Surplus as of June 30, 2016

Reserved Excess Surplus	\$	2,429,636
Reserved Excess Surplus - Designated fro Subsequent Year's Expenditures		<u>2,214,056</u>
Total	\$	<u>4,643,692</u>

**LEONIA BOARD OF EDUCATION
RECOMMENDATIONS**

I. Administration Practices and Procedures

It is recommended that:

1. Certified tuition rates be reviewed and adjustments be made, if deemed necessary, in accordance with tuition agreements and New Jersey Administrative Code.
2. The Resource Room tuition rate and OT/PT and 1:1 Aides service fees be approved by Board resolution and be made part of the official minutes.

II. Financial Planning, Accounting and Reporting

It is recommended that:

1. Internal control procedures be reviewed and revised to ensure that all stipends are paid in accordance with approved employment contracts and they be approved by Board resolution.
2. Procedures be revised to ensure all unpaid salaries and wages earned at June 30 are properly recorded as a liability in the District's accounting records at year end.

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 threshold are made in accordance with the requirements of the Public School Contracts Law (N.J.S.A. 18A:18A).

IV. School Food Service

There are none.

V. Student Body Activities

It is recommended that:

1. Prenumbered receipt tickets and payment authorization forms be utilized in all District's student activity accounts. In addition, all checks be required to have two (2) authorized signatures prior to issuance.
2. Deposits be made in a timely manner in the Anna C. Scott Elementary School student account.
3. The practice of issuing checks made payable to "cash" be discontinued in the High School student account.
4. The High School student account be utilized for only the financial transactions of student related activities and clubs.

VI. Enrichment Program

It is recommended that amounts collected for the Enrichment Program be deposited in a timely manner.

VII. Application for State School Aid

There are none.

**LEONIA BOARD OF EDUCATION
RECOMMENDATIONS**

VIII. Pupil Transportation

There are none.

IX. Facilities and Capital Assets

It is recommended that the capital asset accounting records be reviewed and reconciled to the year end audit balances.

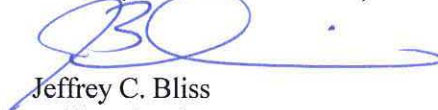
X. Status of Prior Years' Audit Findings/Recommendations

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

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



Jeffrey C. Bliss
Public School Accountant
Certified Public Accountant