



**NEWARK PUBLIC SCHOOLS
COUNTY OF ESSEX, NEW JERSEY
MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE**

JUNE 30, 2016

NEWARK PUBLIC SCHOOLS
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS–
FINANCIAL, COMPLIANCE AND PERFORMANCE

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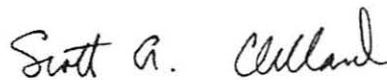
Independent Auditors' Report

Honorable President and Members
of the Board of Education
Newark Public Schools
County of Essex, New Jersey

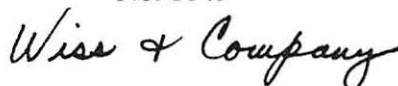
We have audited, in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Newark Public Schools, in the County of Essex, for the year ended June 30, 2016, and have issued our report thereon dated January 27, 2017.

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 solely for the information of the Newark Public School's management and Advisory Board members and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.



Scott A. Clelland
Licensed Public School Accountant
No. 1049



WISS & COMPANY, LLP

January 27, 2017
Livingston, New Jersey

**Newark Public Schools
Administrative Findings-Financial,
Compliance and Performance**

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and Treasurer of School Moneys, 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 J-20, Insurance Schedule contained in the 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>
Evan S. Gillingham	Treasurer of School Monies	\$3,000,000

There is a Public Employee's Faithful Blanket Position Bond with Fidelity Insurance Company covering all other employees with coverage of \$200,000.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. Adjustments to the billings to sending districts for the change in per pupil costs, in accordance with *N.J.A.C 6A:23A-17.1(f)3*, was required.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period did not identify any discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account and Position Control Roster

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 approved by the School Business Administrator and Payroll Director and reviewed by the Advisory Board Finance Committee.

Newark Public Schools
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Salary withholdings were promptly remitted to the proper agencies, including health benefits premium amounts withheld due to the general fund. Payrolls were delivered to the Treasurer of School Monies with a warrant made to his order for the full amount of each payroll.

A review of the Position Control Roster found it to be consistent with payroll records, employee benefit records (e.g. pension reports and health benefit coverage reports) and the general ledger accounts to where wages are posted (administrative versus instruction).

The following items were identified relating to payroll and human resources testing procedures:

Finding 2016-002

Finding:

In accordance with the District's internal policy regarding record retention, each employee is required to complete various documents that the District maintains in the respective employee's personnel files. During our audit procedures over the payroll / human resource processes, we reviewed several employee personnel files and identified the following:

- In nine instances, the employee's personnel file did not contain a copy of the employees completed I-9 Form (Employment Eligibility Verification). In addition to District policy, this form is required by the Department of Homeland Security to be completed and is required to be retained for three years after the date of hire or one year after the date employment ends, whichever is later.
- In two instances, the District could not provide a personnel file or any of the required documents for employees of the District.
- One instance was identified where the employee's personnel file did not contain a copy of the employee's Withholding Allowance Certificate (W-4).
- In three instances, employee personnel files did not contain District pension enrollment forms.

Recommendation:

We suggest the District strengthen its procedures relating to the maintenance of employee records to ensure all required employee personnel documents are properly maintained by the District. The District should develop a standardized checklist that includes all required forms that are to be included in each employee file and require a sign off documenting a complete file.

Finding 2016-003

Finding:

The District did not follow internal policies and procedures with respect to the removal of terminated employees from the monthly health benefit billings. During our testing of the District's May 2016 health benefits invoices, we noted the District incurred costs for six former employees that were no longer eligible for District health coverage and for forty-seven employees that had elected medical coverage that differed from the coverage the District was billed. Upon further review, we identified that the terminated employees received medical coverage for several months after their departure

Newark Public Schools
Administrative Findings-Financial,
Compliance and Performance

from the District that were paid for by the District that should have been avoided. Additionally, we noted that twenty-one of the forty-seven employees were billed in excess of their election based upon coverage level, for several years after election. The District changed their healthcare provider in September 2016. Testing of November 2016 health benefit invoices verified that upon the changeover, employee elections were updated and terminated employees were not included.

Recommendation:

We suggest the District strengthen its internal controls relating to the timely removal of employees from the District's health insurance coverage and timely submissions of employees' changes in coverage elections to the health insurance company to ensure the District is not charged for ineligible health benefits at the time of the employee's separation from the District or change in election of coverage.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30 for proper classification of orders as reserve for encumbrances and accounts payable. Subsequent to the end of the fiscal year, the District performed an analysis of accounts payable and open purchase orders and made entries to properly classify the account balances. Our testing identified the following:

Finding 2016-004

Finding:

Several instances were identified where the District did not issue a purchase order prior to goods being received or services being rendered (confirming order). District policy and State regulations require that a properly executed purchase order be issued prior to the purchase of goods or the rendering of services. The majority of the items selected for testing did have contracts in place prior to the date of the invoice.

Recommendation:

We suggest the District strengthen internal controls and procedures to ensure that all purchase orders issued to vendors for goods or services be approved prior to the vendor providing those goods or services.

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 and haphazardly 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 selected 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 0.0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classifications.

**Newark Public Schools
Administrative Findings-Financial,
Compliance and Performance**

Board Secretary's Records

Our review of financial and accounting records maintained by the Board Secretary disclosed the following items:

Finding 2016-005

Finding:

The district transferred from special programs (fund 13), school administration (240) and school sponsored extracurricular activities (11-4XX) an amount that on a cumulative basis exceeded 10 percent of the total amount of special programs (fund 13), school administration (240) and school sponsored extracurricular activities (11-4XX), respectively, included in the original budget, without proper county approval.

Recommendation:

Executive County Superintendent approval should be requested for any transfer from an advertised appropriation account as defined under N.J.A.C. 6A:23A-13.3(f), which is cumulatively more than 10 percent of that amount. The district should maintain documentation that substantiates the request was received by the Executive County Superintendent when written approval is not received.

Finding 2016-006

Finding:

During our testing of legal expenses, we noted the District's annual legal costs exceeded 130 percent of the statewide average per pupil.

Recommendation:

We suggest the District follow the requirements of N.J.A.C. 6A:23A-5.2 that requires school districts to establish policies setting forth strategies to minimize the costs of legal services that exceed 130 percent of the statewide average.

Finding 2016-007

Finding:

During our testing of legal expenses, we noted the District did not have a contract in place with any of the outside legal counsel that perform work for the District. The last contracts/engagement letters on file date back to 2012.

Recommendation:

We suggest the District obtain annual engagement contracts/letters with all law firms that perform work for the District.

Newark Public Schools
Administrative Findings-Financial,
Compliance and Performance

Treasurer's Records

Our review of the financial and accounting records maintained by the Treasurer did not disclose any exceptions.

Unemployment Compensation Insurance Trust Fund

The District has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund. The financial transactions of this fund are reported in the Fiduciary Fund. No exceptions were noted.

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

The E.S.E.A./NCLB financial exhibits are contained within the Special Revenue Section of the Comprehensive Annual Financial Report (CAFR). This section of the CAFR documents the financial position pertaining to the projects under NCLB. The study of compliance for E.S.E.A./N.C.L.B. did not identify any exceptions.

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Schedule A (K-3) and Schedule B (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. The study of compliance for the special projects indicated the following areas of noncompliance:

Finding 2016-001

Instance of Noncompliance

Head Start (CFDA #93.600) and Preschool Education Aid (State Grant 16-495-034-5120-025)

Criteria: In accordance with 2 CFR 200, Uniform Guidance, the federal OMB Compliance Supplement and New Jersey OMB 15-08, the District is required to expend awards for allowable activities and that the costs of goods and services charged to federal and state grants are allowable and in accordance with the applicable compliance requirements. In addition, the Head Start Program has certain matching requirements related to Preschool Education Aid.

Statement of Condition: During our testing of the Head Start Program and Preschool Education Aid programs, we noted that the District used two different systems to maintain enrollment data. Enrollment data is maintained in PowerSchool, which is the system of record for enrollment for the

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entire District, and separate data was maintained in the SHINE system for the Head Start Program. SHINE is a third-party system in which the Head Start Program's programmatic data, including student eligibility information, is maintained. PowerSchool was not used to denote children as Head Start children until January 2016, and the SHINE system was used to track head start enrollment prior to that date. As of January 2016, the Executive Director of the Office of Early Childhood (OEC) instructed staff that PowerSchool will be the system for pulling data on Head Start children. The District's Fiscal Team provided enrollment data from PowerSchool to support the method of allocations for split-funded employees that listed children who were not always included in the SHINE system. Discrepancies between the systems were analyzed and several versions of combined enrollment data were prepared and provided. Due to the conflicting data between the two systems that store enrollment data provided at the time of the audit, actual enrollment by program was not always determinable.

The District develops the budget for personnel costs using a starting allocation based upon the preset maximum percentage to be charged to the Head Start Program and is adjusted per review of actual enrollment. The OEC provides the budget for the split-cost personnel to the Payroll Department to enter into the system. On a monthly basis, these costs are reviewed for accuracy regarding the split-funded budget. Journal entries are made to adjust the allocation to the starting allocation and additional journal entries are made if the enrollment falls below the starting allocation. The District did not always provide appropriate descriptions to support the subsequent adjustments made to allocations. Additionally, we noted the allocation adjustment made for April, May, and June 2016 contained a data entry error due to a misalignment of rows. This error caused the calculation of allocations for individuals to be based upon the incorrect gross pay resulting in both under and over charges in allocations of payroll costs.

Questioned Costs: Because the District was utilizing two systems to track enrollment, we were unable to quantify any questioned costs related to personnel costs charged to the Head Start and Preschool Education Aid programs. Although the actual enrollment percentage may exceed or may not be significantly different from the percentages used, adequate information was not provided at the time of audit to determine the actual allocation due to conflicts between the two systems that store enrollment data.

Context: During our testing of federal and state grant compliance, we selected a sample of payroll and non-payroll related charges, based on the composition of the types of expenditures charged to both major programs. For each payroll related charge selected, we requested the District to provide us with support of the payroll charge to the grant. Per 2 CFR 200.430(i) charges to federal activities must be based upon records that accurately reflect the work performed, are supported by a system of internal control, are incorporated into the official records of the non-federal entity, and support the distribution of the employee's salary or wages among specific activities or cost objectives when the employee works on a federal award and non-federal award. Additionally, 2 CFR 200.430(i)(viii)(C) requires the entity's system of internal controls include processes to review an after-the-fact distribution of the actual activity of each employee for whom charges were made to a federal grant based upon estimates. The Uniform Guidance also specifies that budget estimates or other distribution percentages determined before the services are performed do not qualify as support for charges to a federal award. The support the District provided did not meet the requirements listed

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above. Payroll expenses are allocated between the two programs based upon the starting allocations and then Head Start enrollment, limited by the programs affordability. This allocation method was approved on the District's Head Start grant application by the grantor agency. Employee's pay that is charged to the Head Start and Preschool Education Aid programs are processed in the same manner as all District payroll. At the time of pay, employees' salary charges are allocated using the preset maximum percentage expected to be charged to the Head Start grant for that employee with the remainder charged to Preschool Education Aid based upon the District's biometric timekeeping system. On a monthly basis, the District prepares a journal entry allocating charges that were not allocated properly by the Payroll Department between the programs. Additionally, a journal entry is prepared to correct the Department's roster if an employee is mistakenly split-funded or does not work in the Department or any of its programs. Personnel rosters are at times inconsistent between Human Resources, Payroll and the OEC. Adjustments would also be made if the actual percentage of children in a teachers' classroom were below the preset maximum percentage to be charged to the Head Start grant. The journal entry is submitted by a grant accountant to the Early Childhood Program Director for approval, and is then sent to Accounting for approval of the Executive Controller. The Grant accountant and Early Childhood Director sign off on the journal entry certifying approval and that the allocations are accurate.

The District used Personnel Activity Reports and journal entries to support the allocations to each program. The District was unable to provide support for five of the sixty individuals selected under Head Start. Of the forty selections made for the Preschool Education Aid program, only 22 pertained to split-funded employees. The District was able to provide a Personnel Activity Report or journal entry to support each of the selected individuals. Upon review of the journal entry support, we noted that they did not always have appropriate descriptions supporting the adjustments. In order to verify allocations charged, enrollment data was requested. We noted that the actual enrollments was not maintained on file and had to be pulled and provided separately. Enrollment related data for the Head Start Program was maintained in two data systems, PowerSchool and SHINE. Since the systems were not linked, the number of children enrolled per the reports from both systems did not and may not match. With PowerSchool being the system of record for District enrollment, data in SHINE must be evident in PowerSchool.

However, at the time of audit, data was provided from both systems in support of actual enrollment figures. Based upon the conflicting documentation maintained and provided at the time of audit, the level of matching was not determinable, and we cannot conclude if the required 20% match was appropriately met.

Cause and Effect: Violations of grant requirements could lead to a potential reduction in funding or return of funds.

Recommendation: We suggest the District strengthen controls over the allocation of personnel costs using enrollment data from PowerSchool, including consideration of alternate allocation methods allowed for under the Uniform Guidance and New Jersey OMB 15-08 and make all necessary adjustments for personnel costs that have been charged to the Head Start and Preschool Education Aid programs in the current fiscal year. We also suggest the District improve descriptions of the

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purpose for each adjustment made and that accurate enrollment records be attached to the monthly allocation journal entries if the journal entries are specifically for enrollment purposes to better support entries made.

Finding 2016-008

Finding:

During our testing over reporting of the Preschool Education Aid Program, we noted that the One year update related to the 2014-2019 Five Year Plan was submitted to the State in excess of five months late.

Recommendation:

We suggest the District ensure that all grant administrators comply with reporting deadlines as mandated by the grant agreements.

Finding 2016-009

Finding:

During our testing over micro purchases using federal funds, two instances were noted where vendors were paid for goods or services in excess of the federal quote threshold and the District did not obtain multiple quotes to ensure that the lowest vendor was selected or provide documentation that multiple quotes were solicited. It should be noted that the threshold for quotes over federal purchases is a lower threshold than the State of New Jersey's school contracts law.

Recommendation:

We suggest that the District ensure that all grant administrators obtain multiple quotes using federal thresholds for items when required if using federal funds.

Finding 2016-010

Finding:

The District reimbursed several employees who submitted for reimbursement of travel related costs without prior board approval of travel in accordance with the Board's adopted travel policy. We noted eight instances where attendance at a conference, along with related travel expenses, were not approved prior to the event.

Recommendation:

We suggest the District strengthen its internal controls relating to the approval of travel reimbursement requests and verifying appropriate documentation is provided prior to payment.

Newark Public Schools
Administrative Findings-Financial,
Compliance and Performance

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for District employees who are members of the Teacher's 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 Reports 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.

Non-Public State Aid

Our review of Non-Public State Aid did not identify any exceptions.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2010 and thereafter, 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 transportation contracts under *N.J.S.A. 18A:39-3* is \$18,800 for 2015-16.

The Newark Public Schools 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.

Procedures were performed on a test basis, to indicate if any individual payments, contracts, or agreements were 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*. Resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per *N.J.S.A. 18A:18A-5*. No exceptions were noted.

School Food Service

The financial transactions and statistical records of the school food service fund were reviewed on a test basis and appear to be maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis. No exceptions were noted.

Newark Public Schools
Administrative Findings-Financial,
Compliance and Performance

The cash receipts and bank records were reviewed on a test basis for timely deposits without exception. The District does not utilize a food service management company to operate its food service program. Expenses were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified on a test check basis. Inventory records on food supply items were currently being 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 expenditures. Timesheets were reviewed and labor costs verified on a test basis. Payroll records were maintained on all School Food Service employees authorized by the District. No exceptions were noted.

The number of meals claimed for reimbursement was compared to sales and meal count records on a test basis. As part of the claims review process, the Edit Check Worksheet was completed. Reimbursement claims were submitted / certified in a timely manner. No exceptions were noted. Applications for free and reduced price meals were reviewed for completeness and accuracy on a test check basis. 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 policy is uniformly administered throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review. No exceptions were noted.

USDA Food Donation program commodities were received and a single inventory was maintained on a first-in, first-out basis. No exceptions were noted.

The school district maintained the detailed revenue and expenditure information necessary in order to execute the USDA mandated non-program Food Revenue Tool for the 2016 fiscal year. The Tool was not completed in fiscal year 2016, however corrective action was taken in fiscal year 2017 and therefore a recommendation is not warranted.

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

Student Body Activities

During our audit of the student activity funds, we did not identify any exceptions.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2015 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low-income and

Newark Public Schools
Administrative Findings-Financial,
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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 work papers with exceptions as presented in the Schedule of Audited Enrollments. The information that was included on the work papers was verified as presented in the Schedule of Audited Enrollments, with the exceptions listed below. The results of our procedures are presented in the Schedule of Audited Enrollments.

Finding 2016-011

Finding:

During our review of the District's A.S.S.A., the following was identified:

- During our verification of the amounts reported on the ASSA with District internal workpapers, the following was noted:
 - The total number of students reported on the ASSA as on-roll was under-reported by 1 student.
 - The total number of students reported on the ASSA as receiving low income services was over-reported by 2 students.
 - The total number of students reported on the ASSA as receiving bilingual services was over-reported by 1 student.
- The District did not perform verification procedures over the private school for the disabled population. Based on all District records of students reported as attending private schools for the disabled, the District under-reported the number of students attending private schools by 288 students. Based on testing results, there were 40 students that were not reported on the ASSA that were actually in attendance at a private school for the disabled on October 15, 2015. The District was able to provide valid tuition contracts, October 2015 bills, and Individualized Education Plans for each student. However, based upon testing, we identified 51 students that were reported on the ASSA that were not in attendance at a private school for the disabled on October 15, 2015 and the District was unable to provide valid tuition contracts, October 2015 bills, and Individualized Education Plans for each student. The District was unable to provide support that the student was in attendance for 12 students that were not reported on the ASSA, but were included in District records.

Recommendation:

We suggest that the District strengthen its internal controls to ensure that the students listed on the ASSA report are properly supported and payments not be made to outside private school providers without having an executed tuition contract and ensuring that the student is the responsibility of the Newark Public Schools.

Pupil Transportation

Our audit procedures included a test of on-roll status as reported in the 2015-16 District Report of Transported Resident Students ("DRTRS"). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report. The results of our procedures are presented in the Schedule of Audited Enrollments. Our procedures also included a review on a test check basis of transportation related contracts and purchases. Based on our review, the District complied with proper bidding procedures and award of contracts relating to transportation. The District did not purchase any buses during the 2016 fiscal year.

Newark Public Schools
Administrative Findings-Financial,
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Facilities and Capital Assets

Our procedures included a review of the New Jersey Schools Development Authority (“NJSDA”) grant agreements for consistency with recording NJSDA revenue and awarding of contracts for eligible facilities construction. During our review, the following was noted:

Finding 2016-012

Finding:

The District is not properly tracking budgeted expenditures that are fully reimbursable by the SDA. This could lead to potential over-expenditures of the projects that must be transferred and funded by the General Fund at the close of the project.

Recommendation:

We suggest the District ensure the budgeted expenditures recorded in the system are in agreement with the SDA approved amounts.

Follow-up on Prior Year Findings

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year recommendations. Corrective action has been taken on all prior year findings with the exception of the following, which are repeated in this year's recommendations.

- Various required employee documents were not maintained in the employee personnel files.
- Terminated employees were not timely removed from the District’s health benefits system.
- Purchase orders not always being approved prior to goods being received or services being rendered (confirming orders).
- Legal costs exceeded 130 percent of the statewide average per pupil
- Head Start Program enrollment discrepancies
- Findings related to the District’s Application for State School Aid

There were no Office of Fiscal Accountability and Compliance (OFAC) audit reports issued during the 2016 fiscal year that have a material financial impact. Several Early Childhood and NJ ASK breach reviews were completed. The District completed and submitted the required corrective action plans, which were accepted by OFAC. The District also posted all reports on its website as required.

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.

SCHEDULE OF MEAL COUNT ACTIVITY

NEWARK PUBLIC SCHOOLS

FOOD SERVICE FUND

NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM -Federal

FOR THE FISCAL YEAR ENDED JUNE 30, 2016

<u>PROGRAM</u>	<u>MEAL CATEGORY</u>	<u>MEALS CLAIMED</u>	<u>MEALS TESTED</u>	<u>MEALS VERIFIED</u>	<u>DIFFERENCE</u>	<u>RATE (a)</u>	<u>(OVER) UNDER CLAIM (b)</u>
National School Lunch (Regular Rate)	Paid	861,078	861,078	861,078	-	\$ 0.31	
National School Lunch (Regular Rate)	Reduced	156,263	156,263	156,263	-	2.69	
National School Lunch (Regular Rate)	Free	3,267,584	3,267,584	3,267,584	-	3.09	
	TOTAL	4,284,925	4,284,925	4,284,925			-
School Breakfast (Regular Rate)	Paid	992	992	992	-	0.290	
	Reduced	16	16	16	-	1.360	
	Free	50,004	50,004	50,004	-	1.660	
	TOTAL	51,012	51,012	51,012			-
School Breakfast (Severe Needs)	Paid	798,750	798,750	798,750	-	0.290	
	Reduced	154,190	154,190	154,190	-	1.690	
	Free	2,951,000	2,951,000	2,951,000	-	1.990	
	TOTAL	3,903,940	3,903,940	3,903,940			-
After School Snacks	Free (Area Eligible)	276,040	276,040	276,040	-	0.840	
Total Net (Over) Under Claim							-

SCHEDULE OF MEAL COUNT ACTIVITY

NEWARK PUBLIC SCHOOLS

FOOD SERVICE FUND

NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM -STATE
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

PROGRAM	MEAL CATEGORY	MEALS CLAIMED	MEALS TESTED	MEALS VERIFIED	DIFFERENCE	RATE (a)	(OVER) UNDER CLAIM (b)
State Reimbursement - National School Lunch (Regular Rate)	Paid	861,078	861,078	861,078	-	\$ 0.400	
State Reimbursement - National School Lunch (Regular Rate)	Reduced	156,263	156,263	156,263	-	0.055	
State Reimbursement - National School Lunch (Regular Rate)	Free	3,267,584	3,267,584	3,267,584	-	0.055	
	TOTAL	<u>4,284,925</u>	<u>4,284,925</u>	<u>4,284,925</u>	<u>-</u>		<u>-</u>
Total Net (Over) Under Claim							<u><u>-</u></u>

NEWARK PUBLIC SCHOOLS
NET CASH RESOURCE SCHEDULE

Net cash resources did/did not exceed three months of expenditures
Proprietary Funds - Food Service
Year ended June 30, 2016

<u>Net Cash Resources:</u>	Food Service B - 4/5	
CAFR	Current Assets	
B-4	Cash & Cash Equiv.	\$ 898,756
B-4	Due from Other Gov'ts	1,598,213
B-4	Accounts Receivable	27,536
CAFR	Current Liabilities	
B-4	Less Accounts Payable	951,014
B-4	Less Accruals	378,047
B-4	Less Interfund Payable	47,639
B-4	Less Unearned Revenue	45,202
	Net Cash Resources	\$ 1,102,603 (A)
 <u>Net Adj. Total Operating Expense:</u>		
B-5	Tot. Operating Exp.	20,860,453
B-5	Less Depreciation	(265,667)
	Adj. Tot. Oper. Exp.	\$ 20,594,786 (B)
 <u>Average Monthly Operating Expense:</u>		
	B / 10	\$ 2,059,478.60 (C)
 <u>Three times monthly Average:</u>		
	3 X C	\$ 6,178,435.80 (D)

TOTAL IN BOX A	\$ 1,102,603.00
LESS TOTAL IN BOX D	\$ 6,178,435.80
NET	\$ (5,075,832.80)

From above:

A is greater than D, cash exceeds 3 X average monthly operating expenses.
D is greater than A, cash does not exceed 3 X average monthly operating expenses.

SCHEDULE OF AUDITED ENROLLMENTS

**NEWARK PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015**

	2015-16 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 Registers 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				
Full Day Preschool - 3 yrs	670		670					7		7						
Full Day Preschool - 4yrs	959		959					14		14						
Half Day Kindergarten																
Full Day Kindergarten	2,376		2,376					23		23						
One	2,687		2,687					63		63						
Two	2,571		2,571					39		39						
Three	2,571		2,571					73		73						
Four	2,438		2,438					80		80						
Five	2,051		2,051					125		125						
Six	2,118		2,118					55		55						
Seven	2,096		2,097		(1)			86		86						
Eight	2,148		2,148					54		54						
Nine	1,981		1,981					4		4						
Ten	1,950		1,950					201		201						
Eleven	1,878		1,878					25		25						
Twelve	1,830		1,830					150		150						
Post-Graduate																
Adult H.S. (15+CR.)	290		290													
Adult H.S. (1-14 CR.)																
Subtotal	30,614	-	30,615	-	(1)	-	999	-	999	-	-	-	-	-	-	-
Special Ed - Elementary	2,405		2,405					126		126			18	10	8	2
Special Ed - Middle School	1,537		1,537					1		1			29	13	10	3
Special Ed - High School	1,679		1,679					11		11			234	122	76	46
Unallocated														52	12	40
Subtotal	5,621	-	5,621	-	-	-	138	-	138	-	-	-	281	197	106	91
Co. Voc. - Regular																
Co. Voc. Ft. Post Sec.																
Totals	36,235	-	36,236	-	(1)	-	1,137	-	1,137	-	-	-	281	197	106	91
Percentage Error					0.00%	0.00%					0.00%	0.00%				46.19%

**NEWARK PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID SUMMARY
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 Score and Register	Sample Errors
	Full Day Preschool - 3 yrs											
Full Day Preschool - 4yrs												
Half Day Kindergarten												
Full Day Kindergarten	1,680	1,677	3	22	22		393	393		16	16	
One	2,327	2,327		22	22		439	439		61	61	
Two	2,247	2,247		21	21		423	423		15	15	
Three	2,212	2,212		22	22		314	314		7	7	
Four	2,137	2,136	1	21	21		237	237		20	20	
Five	1,757	1,756	1	21	21		140	140		1		1
Six	1,787	1,787		21	21		159	159		7	7	
Seven	1,751	1,751		21	21		172	172		17	17	
Eight	1,725	1,725		21	21		148	148		18	18	
Nine	1,449	1,449		21	21		148	148		7	7	
Ten	1,272	1,272		21	21		109	109		10	10	
Eleven	1,221	1,221		26	26		122	122		25	25	
Twelve	1,133	1,133		26	26		94	94		32	32	
Post-Graduate												
Adult H.S. (15+CR.)												
Adult H.S. (1-14 CR.)												
Subtotal	22,698	22,693	5	286	286	-	2,898	2,898	-	236	235	1
Special Ed - Elementary	2,060	2,063	(3)	13	13		175	175				
Special Ed - Middle	1,334	1,334		12	12		44	44				
Special Ed - High	1,262	1,262		11	11		30	30				
Subtotal	4,656	4,659	(3)	36	36	-	249	249	0	0	0	-
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	27,354	27,352	2	322	322	-	3,147	3,147	-	236	235	1
Percentage Error			0.01%			0.00%			0.00%			0.42%

Transportation

	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Errors	Tested	Verified	Errors	Reported	Recalculated
	Regular - Public	6,703	6,703					
Regular - Spec. Ed	3,733	3,733		92	92		3.4	3.4
Transported - Non-Public	3,313	3,313		80	80		10.4	10.4
Spec. Ed - Special needs	424	424		3	3			
Totals	14,173	14,173	-	312	312	-		
Percentage Error			0.00%			0.00%		

Reg Avg.(Mileage) = Regular Including Grade PK students
Reg Avg.(Mileage) = Regular Excluding Grade PK students
Spec Avg. = Special Ed with Special Needs

NEWARK PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2015

SCHEDULE OF AUDITED ENROLLMENTS

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	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 and Register	Sample Errors
Full Day Preschool - 3 yrs						
Full Day Preschool - 4yrs						
Half Day Kindegarten						
Full Day Kindergarten	99	99				
One	57	57		6	6	
Two	55	55				
Three	43	43		5	5	
Four	39	39				
Five	29	29				
Six	24	24				
Seven	42	42		2	2	
Eight	49	49		1	1	
Nine	93	93		1	1	
Ten	104	104		3	3	
Eleven	98	98		36	36	
Twelve	61	61		9	9	
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	<u>793</u>	<u>793</u>	<u>-</u>	<u>63</u>	<u>63</u>	<u>-</u>
Special Ed - Elementary	15	15				
Special Ed - Middle	3	3				
Special Ed - High	7	7				
Subtotal	<u>25</u>	<u>25</u>	<u>-</u>	<u>0</u>	<u>0</u>	<u>-</u>
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	<u>818</u>	<u>818</u>	<u>-</u>	<u>63</u>	<u>63</u>	<u>-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

NEWARK PUBLIC SCHOOLS
EXCESS SURPLUS CALCULATION

JUNE 30, 2016

SECTION 1

A. 2% Calculation of Excess Surplus

2015-16 Total General Fund Expenditures Reported on Exhibit C-1	\$ 954,833,520 (A)
Increased by:	
Transfer from Capital Outlay to Capital Projects Fund	\$ - (A1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ - (A1a)
Transfer from General Fund to SRF for Pre-K Regular	\$ - (A1a)
Transfer from General Fund to SRF for Pre-K Inclusion	\$ - (A1a)
Less: Expenditures Allocated to Restricted Federal Sources as Reported On Exhibit D-2	15,941,565 (A1b)
2015-16 Adjusted General Fund and Other State Expenditures	\$ 938,891,955 (A2)
[(A)+(A1a)-(A1b)]	
Decreased by:	
On-Behalf TPAF Pension and Social Security	73,356,022 (A3)
Assets Acquired Under Capital Leases:	
General Fund 10 Assets Acquired Under Capital Leases reported on Exhibit C-1a	- (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	- (A5)
Combined General Fund Contribution & State Resources Percent of Fund 15 Resources Reported on Exhibit D-2	95.26% (A6)
General Fund & State Resources Portion of Fund 15 Assets Acquired Under Capital Leases [(A5)*(A6)]	- (A7)
Total Assets Acquired Under Capital Leases [(A4)+(A7)]	- (A8)
2015-16 General Fund Expenditures [(A2)-(A3)-(A8)]	865,535,933 (A9)
2 percent of Adjusted 2015-16 General Fund Expenditures [(A9) times .02]	17,310,719 (A10)
Enter Greater of (A10) or \$250,000	17,310,719 (A11)
Increased By: Allowable Adjustment*	116,232 (K)
Maximum Unassigned Fund Balance [(A11)+(K)]	\$ 17,426,951 (M)

SECTION 2

Total General Fund - Fund Balances at June 30, 2016	\$ 27,593,153 (C)
Decreased By:	
Year-end Encumbrances	\$ 11,454,715 (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	(C2)
Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ - (C3)
Other Restricted/Reserved Fund Balances****	\$ 1,096,835 (C4)
Assigned - Designated for Subsequent Year's Expenditures	\$ 2,792,145 (C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ 12,249,458 (U)

SECTION 3

Restricted Fund balance - Excess Surplus***[(U)-(M)] IF NEGATIVE ENTER-0	\$ - (E)
Summary:	
Restricted Excess Surplus - Designated for Subsequent Year's Expenditures**	- (C3)
Restricted Excess Surplus ***	- (E)
Total [(C3) + (E)]	- (D)

NEWARK PUBLIC SCHOOLS
EXCESS SURPLUS CALCULATION
JUNE 30, 2016

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) Line H represents the amount of Impact Aid received by the district during 2015-16. This amount is obtained from the line entitled "Federal Sources: Impact Aid" on the Comparative Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibit C-1a). This amount is reported net of any amount transferred to Impact Aid general fund reserve or Impact Aid capital fund reserve.
- (I) Sale and Lease-back
- (J1) Extraordinary Aid;
- (J2) Additional Nonpublic School Transportation Aid;
- (J3) Recognized current year School Bus Advertising Revenue; and
- (J4) Family Crisis Transportation Aid.

Detail of Allowable Adjustments

Impact Aid	\$ -	(H)
Sale & Lease-back	\$ -	(I)
Extraordinary Aid	\$ -	(J1)
Additional Nonpublic School Transportation Aid	\$ 116,232	(J2)
Current Year School Bus Advertising Revenue Recognized	\$ -	(J3)
Family Crisis Transportation Aid	\$ -	(J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	<u>\$ 116,232</u>	(K)

- ** The amount represents the June 30, 2015 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet 90031.
- *** The amount represents the June 30, 2016 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet 90032.
- **** Amount for Other Restricted/Reserved Fund Balance must be detailed for each source and request for approval to use amounts other than state imposed legal restrictions in the excess surplus calculation must be submitted to the Assistant to the Commissioner for Finance prior to September 30.
- (N-1) Capital reserve at June 30, 2016
- (N-2) Maintenance reserve minimum required under EFCFA
- (N-3) Tuition reserve at June 30, 2016
- (N-4) Emergency reserve at June 30, 2016
- (N-5) School bus fuel offset reserve - current year - June 30, 2016
- (N-6) School bus fuel offset reserve - prior year - June 30, 2016
- (N-7) Impact Aid general fund reserve at June 30, 2016
- (N-8) Impact Aid capital fund reserve at June 30, 2016

Detail of Other Restricted/Reserved Fund Balance

Statutory restrictions:

Approved unspent separate proposal	\$ -	
Sale/lease-back reserve	\$ -	
Capital reserve (N-1)	\$ 1,096,835	
Maintenance reserve (N-2)	\$ -	
Tuition reserve (N-3)	\$ -	
Emergency reserve (N-4)	\$ -	
School Bus Advertising 50% Fuel Offset Reserve - current year (N-5)	\$ -	
School Bus Advertising 50% Fuel Offset Reserve - prior year (N-6)	\$ -	
Impact Aid General Fund Reserve (Sections 8002 and 8003) (N-7)	\$ -	
Impact Aid Capital Fund Reserve (Sections 8007 and 8008) (N-8)	\$ -	
Other Restricted/Reserved Fund Balance not noted above****	\$ -	
Total Other Restricted/Reserved Fund Balance	<u>\$ 1,096,835</u>	(C4)