

**AUDITORS MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
SCHOOL DISTRICT OF THE
BOROUGH OF RINGWOOD
COUNTY OF PASSAIC, NEW JERSEY
JUNE 30, 2016**

SCHOOL DISTRICT OF THE BOROUGH OF RINGWOOD
COUNTY OF PASSAIC, NEW JERSEY

AUDITORS' MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE

TABLE OF CONTENTS

	<u>Page</u> <u>No.</u>
Report of Independent Auditors.....	1
Scope of Audit.....	2
Administrative Practices and Procedure.....	2
Insurance.....	2
Officials Bonds.....	2
Financial Planning, Accounting and Reporting.....	2
Examination of Claims.....	2
Payroll Account.....	2
Position Control Roster.....	3
Reserve for Encumbrances and Accounts Payable.....	3
Classification of Expenditures.....	3
Board Secretary's Records.....	4
Treasurer's Records.....	4
Elementary and Secondary Education Act (E.S.E.A.)/Improving America's School Act (IASA) as Reauthorized by the No Child Left Behind Act of 2001.....	3
Other Special Federal and/or State Projects.....	4
T.P.A.F. Reimbursement.....	5
School Purchasing Programs.....	5
Contracts and Agreements Requiring Advertisement for Bids.....	5
School Food Service.....	6
Student Body Activities.....	7
Application for State School Aid.....	7
Pupil Transportation.....	7
Follow-up on Prior Year Findings.....	7
Acknowledgment.....	8
Schedule of Audited Enrollments.....	9
Excess Surplus Calculation.....	12

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

Charles J. Ferraioli, Jr., MBA, CPA, RMA
Steven D. Wielkotz, CPA, RMA
James J. Cerullo, CPA, RMA
Paul J. Cuva, CPA, RMA
Thomas M. Ferry, CPA, RMA

Certified Public Accountants
401 Wanaque Avenue
Pompton Lakes, New Jersey 07442
973-835-7900
Fax 973-835-6631

Newton Office
100B Main Street
Newton, NJ 07860
973-579-3212
Fax 973-579-7128

REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Borough of Ringwood School District
County of Passaic, 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 Borough of Ringwood School District in the County of Passaic for the year ended June 30, 2016, and have issued our report thereon dated November 2, 2016.

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

This report is intended for the information of the Borough of Ringwood Board of Education's management and the New Jersey Department of Education. However, this report is a matter of public record and its distribution is not limited.

Paul J. Cuva

Paul J. Cuva, C.P.A.
Licensed Public School Accountant
No. 766

Ferraioli, Wielkotz, Cerullo & Cuva, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

November 2, 2016

**ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING**

GENERAL COMMENTS

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 Exhibit J-20, Insurance Schedule contained in the District's CAFR.

Officials Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Warren Mitchell	Board Secretary/School Business Administrator	\$50,000
Gail Bado	Treasurer	200,000

There is a Public Employees' Faithful Performance Blanket Position Bond with the New Jersey School Boards Association Insurance Group covering all other employees with multiple coverage of \$500,000.

Finding 2016-001: The District's surety bond for the Treasurer of School Monies is below the minimum requirements as set forth in N.J.A.C. 6A:23A-16.4.

Recommendation: That the District's surety bond be increased to meet the minimum requirement.

Financial Planning, Accounting and Reporting

Examination of Claims

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

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.

Financial Planning, Accounting and Reporting, (continued)

Payroll Account, (continued)

Finding 2016-002: The District's payroll agency account was not being reconciled on a timely basis.

Recommendation: The District should reconcile its payroll agency account on a monthly basis.

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/School Business Administrator.

Finding: 2016-003: In some instances, payroll tax withholdings were not remitted to the proper agencies on a timely basis.

Recommendation: Payroll tax withholdings should be turned over to the proper agencies on a timely basis.

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (Superintendent, assistant superintendents, and business administrator) to the NJ Department of Treasury was filed by the March 15 due date.

Reporting of employee compensation for income tax related purposes did comply with federal and state regulations regarding the compensation which is required to be reported.

Position Control Roster

The Position Control Roster was reviewed and compared to payroll records, employee benefit records and charges made to the general ledger to ensure proper and consistent financial reporting and that employee benefits are only offered to current employees.

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 reserves 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:23A-16.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.2. As a result of the procedures performed, a transaction error rate of 0% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Financial Planning, Accounting and Reporting, (continued)

Board Secretary's Records

Our review of the financial and accounting records maintained by the board secretary disclosed the following item:

Finding 2016-004: The District is not current on its E-Rate reimbursements.

Recommendation: The District should review procedures to ensure that E-Rate filings are timely and complete.

Fixed Assets

The general fixed assets records were updated for the additions and disposals of general fixed assets made during the year.

Treasurer's Records

The Treasurer's records were found to be in good order.

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

The E.S.E.A. financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Title I and Title II of the Elementary and Secondary Education Act as amended.

The study of compliance for E.S.E.A. indicated no areas of noncompliance and/or questionable costs.

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Schedule A and Schedule B 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 no areas of noncompliance.

Financial Planning, Accounting and Reporting, (continued)

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement forms electronically filed with the Department of Education for the district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-2 contains definitions for terms used throughout N.J.S.A. 18A:18A-1 et seq. It includes as subsection (p) the term ‘competitive contracting’, which is defined as “the method described in N.J.S.A. 18A:18A-4.1 through 18A:18A-4.5 and in rules promulgated by DCA at N.J.A.C. 5:34-4 of contracting for specialized goods and services in which formal proposals are solicited from vendors; formal proposals are evaluated by the purchasing agent or counsel or school business administrator; and the board of education awards a contract to a vendor or vendors from among the formal proposals received.” Also, subsection (aa) defines the term ‘concession’ to exclude vending machines.

N.J.S.A. 18A:18A-3(a) sets forth the bid threshold and requires award by board resolution. There is a higher threshold when there is a “Qualified Purchasing Agent” (QPA) in the district as defined at N.J.A.C. 5:34-1.1 and certified upon approval of an application submitted to DCA. Pursuant to N.J.S.A. 18A:18A-3(b), the bid threshold may be adjusted by the Governor, in consultation with the Department of Treasury, every five years.

N.J.S.A. 18A:18A-4.4 provides boards of education the authority to pass a resolution authorizing the use of competitive contracting. “In order to initiate competitive contracting, the board of education shall pass a resolution authorizing the use of competitive contracting each time specialized goods or services enumerated in sections 45 of L. 1999, c.440 are desired to be contracted.”

Effective July 1, 2015 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 Agency) 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 board of education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Solicitor’s opinion should be sought before a commitment is made.

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4.

School Purchasing Programs, (continued)

Contracts and Agreements Requiring Advertisement for Bids, (continued)

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

School Food Service

The financial transactions and statistical records of the School Food Service Fund were reviewed. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis. No exceptions were noted.

The District utilized a food service management company (FSMC) and is depositing and expending program monies in accordance with N.J.S.A. 18A:17-34, and 19-1 through 19.4.1. Provisions of the FSMC contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees no cost of operation to the District. The operating results provision has been met.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner. Meals claimed did agree with meal count records.

Net cash resources did not exceed three months average expenditures.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served was compared to the number of valid applications and/or to the list of directly certified students on file, times the number of operating days, on a school by school basis. The free and reduced price meal and free milk policy was reviewed for uniform administration throughout the school system. The required verification procedures for free and reduced price applications was completed and available for review.

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 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.

Cash receipts and bank records were reviewed for timely deposit. No exceptions were noted.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all School Food Services employees authorized by the Board of Education. No exceptions were noted.

School Food Service, (continued)

Food Distribution Program commodities were received and a separate inventory was maintained on a first-in, first-out basis. No exceptions were noted.

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

Student Body Activities

A cash receipts and disbursements record was maintained in satisfactory condition.

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 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 without exception. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The District maintained workpapers on the prescribed state forms or their equivalent.

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. The bid specifications for the purchase of buses were in compliance with applicable statutes. No exceptions were noted in our review of transportation related purchases of goods and services.

Follow-up on Prior Year Findings

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings. Corrective action had been taken on all prior year findings.

Acknowledgment

We received the complete cooperation of all the officials of the school district and we greatly appreciate the courtesies extended to the members of the audit team.

Respectfully submitted,

Paul J. Cuva

Paul J. Cuva, C.P.A.
Public School Accountant

Ferraioli, Wielkocz, Cerullo & Cuva, P.A.

FERRAIOLI, WIELKOTZ, CERULLO & CUVA, P.A.
Certified Public Accountants
Pompton Lakes, New Jersey

BOROUGH OF RINGWOOD, NEW JERSEY SCHOOL DISTRICT

SCHEDULE OF AUDITED ENROLLMENTS

APPLICATION FOR STATE SCHOOL AID SUMMARY

ENROLLMENT AS OF OCTOBER 15, 2015

	2016-2017 Application for State School Aid						Sample for Verification						Private Schools for Disabled						
	Reported on A.S.A. On Roll		Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Registers On Roll		Errors per Registers On Roll		Reported on A.S.A. as Private Schools		Sample for Verification		Sample Errors		
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	
Half Day Preschool	0		0		0		0		0		0		0		0		0		0
Full Day Kindergarten	104		104		23		23		23		23		23		23		23		23
One	118		118		25		25		25		25		25		25		25		25
Two	110		110		23		23		23		23		23		23		23		23
Three	94		94		20		20		20		20		20		20		20		20
Four	115		115		25		25		25		25		25		25		25		25
Five	111		111		23		23		23		23		23		23		23		23
Six	124		124		25		25		25		25		25		25		25		25
Seven	116		116		25		25		25		25		25		25		25		25
Eight	116		116		25		25		25		25		25		25		25		25
Subtotal	0	1,008	0	1,008	0	214	0	214	0	214	0	214	0	214	0	214	0	214	0
Special Ed - Elementary	123		123		25		25		25		25		25		25		25		25
Special Ed - Middle School	68		68		15		15		15		15		15		15		15		15
Special Ed - High School	0		0		0		0		0		0		0		0		0		0
Subtotal	0	191	0	191	0	40	0	40	0	40	0	40	0	40	0	40	0	40	0
Co. Voc. - Regular	0		0		0		0		0		0		0		0		0		0
Co. Voc. Ft. Post Sec.	0		0		0		0		0		0		0		0		0		0
Totals	0	1,199	0	1,199	0	254	0	254	0	254	0	254	0	254	0	254	0	254	0
Percentage Error					0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%		0.00%

**BOROUGH OF RINGWOOD, NEW JERSEY SCHOOL DISTRICT
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
Half Day Preschool	0	0	0	0	0	0	0	0	0	0	0	0
Full Day Kindergarten	8	8	0	5	5	0	0	0	0	0	0	0
One	11	11	0	8	8	0	1	1	0	1	1	0
Two	4	4	0	3	3	0	0	0	0	0	0	0
Three	9	9	0	6	6	0	0	0	0	0	0	0
Four	9	9	0	6	6	0	1	1	0	1	1	0
Five	6	6	0	4	4	0	1	1	0	1	1	0
Six	12	12	0	8	8	0	1	1	0	1	1	0
Seven	15	15	0	10	10	0	1	1	0	1	1	0
Eight	10	10	0	7	7	0	0	0	0	0	0	0
Subtotal	84	84	0	57	57	0	5	5	0	5	5	0
Special Ed - Elementary	15	15	0	10	10	0	1	1	0	1	1	0
Special Ed - Middle	16	16	0	11	11	0	0	0	0	0	0	0
Special Ed - High	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	31	31	0	21	21	0	1	1	0	1	1	0
Co. Voc. - Regular	0	0	0	0	0	0	0	0	0	0	0	0
Co. Voc. Ft. Post Sec.	0	0	0	0	0	0	0	0	0	0	0	0
Totals	115	115	0	78	78	0	6	6	0	6	6	0
Percentage Error			0.00%			0.00%			0.00%			0.00%

Transportation

	Reported on DRTS by DOE/county		Reported on DRTS by District		Errors	
	Tested	Verified	Tested	Verified	Tested	Verified
Reg. - Public Schools, col. 1	537	537	197	197	0	0
Reg -SpEd, col. 4	137	137	94	94	0	0
Transported - Non-Public, col. 3	67	67	51	51	0	0
Special Ed Spec, col. 6	74	74	54	54	0	0
Totals	815	815	396	396	0	0
Percentage Error					0.00%	0.00%

Reg Avg.(Mileage) = Regular Including Grade PK students (Part A) 4.3
 Reg Avg.(Mileage) = Regular Excluding Grade PK students (Part B) 4.8
 Spec Avg. = Special Ed with Special Needs 4.8

BOROUGH OF RINGWOOD, NEW JERSEY SCHOOL DISTRICT

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

SCHEDULE OF AUDITED ENROLLMENTS

	Resident LEP NOT Low Income		Sample for Verification	
	Reported on A.S.A. as NOT Low Income	Reported on Workpapers as NOT Low Income	Sample Selected from Workpapers	Verified to Application and Register
Half Day Preschool	0	0	0	0
Full Day Kindergarten	0	0	0	0
One	1	1	1	1
Two	0	0	0	0
Three	0	0	0	0
Four	0	0	0	0
Five	0	0	0	0
Six	1	1	1	1
Seven	0	0	0	0
Eight	0	0	0	0
Subtotal	2	2	2	2
Special Ed - Elementary	0	0	0	0
Special Ed - Middle	0	0	0	0
Special Ed - High	0	0	0	0
Subtotal	0	0	0	0
Co. Voc. - Regular	0	0	0	0
Co. Voc. Ft. Post Sec.	0	0	0	0
Totals	2	2	2	2
Percentage Error		0.00%		0.00%

BOROUGH OF RINGWOOD, NEW JERSEY SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FOR THE FISCAL YEAR ENDED JUNE 30, 2016

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2015-16 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>23,931,824</u>	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	\$ _____	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ <u>199,044</u>	(B1b)
Transfer from General Fund to SRF for PreK - Regular	\$ _____	(B1c)
Transfer from General Fund to SRF for PreK - Inclusion	\$ _____	(B1d)
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ <u>2,082,063</u>	(B2a)
Assets Acquired Under Capital Leases	\$ <u>105,256</u>	(B2b)
Adjusted 15-16 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ <u>21,943,549</u>	(B3)
2% of Adjusted 2015-16 General Fund Expenditures [(B3) times .02]	\$ <u>438,871</u>	(B4)
Enter Greater of (B4) or \$250,000	\$ <u>438,871</u>	(B5)
Increased by: Allowable Adjustment*	\$ <u>9,725</u>	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	\$ <u>448,596</u>	(M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-16 (Per CAFR Budgetary Comparison Schedule C-1)	\$ <u>1,846,789</u>	(C)
Decreased by:		
Year End Encumbrances	\$ <u>11,179</u>	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ <u>4,524</u>	(C2)
Legally Restricted Excess Surplus - Designated for Designated for Subsequent Year's Expenditures**	\$ <u>615,233</u>	(C3)
Other Restricted Fund Balances****	\$ <u>788,134</u>	(C4)
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ _____	(C5)
Total Unreserved/Undesignated Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ <u>427,719</u>	(U1)

SECTION 3

Restricted Fund Balance - Excess Surplus***[(U1)-(M)] IF NEGATIVE ENTER -0-	\$ <u>-</u>	(E)
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Recapitulation of Excess Surplus as of June 30, 2016

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ <u>615,233</u>	(C3)
Reserved Excess Surplus***[(E)]	\$ <u>-</u>	(E)
Total [(C3)+(E)]	\$ <u>615,233</u>	(D)

Footnotes:

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

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

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

(J1) Extraordinary Aid;

(J1) Additional Nonpublic School Transportation Aid

(J3) Current Year School Bus Advertising Revenue Recognized

(J4) Family Crisis Transportation Aid.

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

Detail of Allowable Adjustments

Impact Aid	\$ _____	(H)
Sale & Lease-back	\$ _____	(I)
Extraordinary Aid	\$ _____	(J1)
Additional Nonpublic School Transportation Aid	\$ 9,725	(J2)
Current Year School Bus Advertising Revenue Recognized	_____	(J3)
Family Crisis Transportation Aid	\$ _____	(J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	\$ <u>9,725</u>	(K)

** This amount represents the June 30, 2016 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

*** Amounts must agree to the June 30, 2016 CAFR and the sum of the two lines must agree to Audit Summary Worksheet Line 90030.

**** Amount of Other Reserved Fund Balance must be detailed for each source. Use in the excess surplus calculation of any legal reserve that is not state mandated or that is not legally imposed by an other type of government, such as the judicial branch of government, must have Departmental approval. District requests should be submitted to the Division of Finance prior to September 30.

Detail of Other Restricted Fund Balance

Statutory restrictions:

Approved unspent separate proposal	\$ _____
Sale/lease-back reserve	\$ _____
Capital reserve	\$ 451,014
Maintenance reserve	\$ 87,120
Emergency reserve	\$ 250,000
Tuition reserve	\$ _____
School Bus Advertising 50% Fuel Offset Reserve - current year	\$ _____
School Bus Advertising 50% Fuel Offset Reserve - prior year	\$ _____
Impact Aid General Fund Reserve (Sections 8002 and 8003)	\$ _____
Impact Aid General Fund Reserve (Sections 8007 and 8008)	\$ _____
Other state/government mandated reserve	\$ _____
[Other Restricted Fund Balance not noted above]****	\$ _____
Total Other Restricted Fund Balance	\$ <u>788,134</u> (C4)