

**KEARNY BOARD OF EDUCATION  
INDEPENDENT AUDITOR'S MANAGEMENT REPORT ON  
ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE  
JUNE 30, 2017**

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

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## INDEPENDENT AUDITOR'S MANAGEMENT REPORT

Honorable President and Members  
of the Board of Trustees  
Kearny Board of Education  
Kearny, New Jersey

We have audited in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Kearny Board of Education as of and for the fiscal year ended June 30, 2017, and have issued our report thereon dated November 28, 2017.

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

This report is intended solely for the information and use of management, the Board of Trustees, others within the District and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.

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

Gary J. Vinci  
Public School Accountant  
PSA Number CS00829

Fair Lawn, New Jersey  
November 28, 2017

**KEARNY BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Scope of Audit**

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

**Administrative Practices and Procedures**

**Insurance**

Fire insurance coverage was carried in the amounts as detailed on the Insurance Schedule contained in the District's Comprehensive Annual Financial Report (the "CAFR").

**Official Bonds** (N.J.S.A. 18A:17-26, 18A:17-32, 18A:13-13)

<u>Name</u>	<u>Position</u>	<u>Amount</u>
H. Ronald Smith	Interim School Business Administrator/ Interim Board Secretary	\$400,000
Michael J. Lamprecht, Sr.	Treasurer of School Monies	400,000

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

**Financial Planning Accounting and Reporting**

**Examination of Claims**

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

**Payroll Account**

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

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

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

**KEARNY BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Financial Planning Accounting and Reporting (Continued)**

**Payroll Account (Continued)**

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

**Finding (CAFR Finding 2017-001)** – Our audit of payroll revealed the following:

- An individual was paid \$86,160 in excess of their base salary for calendar year 2016. Of this amount, \$68,969 was not reported on the employee's year end W-2. In addition, the individual continued to be overpaid during the period January 1, 2017 through June 30, 2017.
- The net payroll bank account was reconciled during the year by an employee who was not independent of payroll processing functions.
- Payroll reports and records were materially modified by an employee without management's knowledge. The control options within the District's payroll accounting system were not adequate.
- Payroll reports, registers and information was not provided for audit in a timely manner.

**Recommendation** – Internal control procedures over payroll processing and reporting be reviewed and enhanced.

**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** – Our testing of the year-end open purchase orders revealed several purchase orders that did not meet the criteria of an encumbrance and were reclassified to accounts payable. An audit adjustment was made to reclassify \$51,890 of General Fund encumbrances, \$283,776 of Special Revenue Fund encumbrances and \$153,095 of Capital Projects Fund encumbrances to accounts payable.

**Recommendation** – The District review the open purchase orders prior to the year-end and determine the proper classification of the purchase order as to an accounts payable or encumbrance.

**Classification of Expenditures**

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

**Finding** – Our audit for proper coding of expenditures revealed the following:

- The lease payment for computers was charged to capital outlay line item 12-000-100-730. The payment should be charged to 11-190-100-440. An audit adjustment was made to reclassify the expenditures.
- Reimbursements for travel expenditures were charged to object code 600. Travel expenditures should be charged to object code 580.

**Recommendation** – The District review the coding of expenditures to ensure that purchases are classified in accordance with the State budgetary chart of accounts.

**KEARNY BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Financial Planning Accounting and Reporting (Continued)**

**Board Secretary's and Treasurer's Records**

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

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

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

**Finding** – Our audit of the Adult School noted that the revenue/receipts were not recorded in the District's financial records.

**Recommendation** – Monies collected by the Adult School be recorded in the District's General Fund financial records.

**Finding** – At June 30, 2017 grant receivables in excess of \$25 million from the U.S. Department of Transportation and School Development Authority remain uncollected.

**Recommendation** – Continued efforts be made to collect the outstanding Capital Projects Fund grant receivables.

**Finding** – The monthly report of the Treasurer of School Monies did not include the financial transactions of the Food Service Enterprise Fund.

**Recommendation** – The financial transactions of the Food Service Enterprise Fund be included on the Treasurer of School Monies monthly report.

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

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

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

**Other Special Federal and/or State Projects**

The district's Special Projects were approved as listed on Exhibit K-3 and Exhibit K-4 located in the CAFR.

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

The financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

**KEARNY BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Financial Planning Accounting and Reporting (Continued)**

**T.P.A.F. Reimbursements**

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

**Tuition Reimbursement to the State for Federal Salary Expenditures**

The amount of the expenditures charged to the current year's final reports for all Federal awards for the District to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the School District for those employees whose salaries are identified as being paid from Federal funds was made prior to the end of the sixty day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

**School Purchasing Programs**

**Contracts and Agreements Requiring Advertisement for Bids**

Effective July 1, 2015 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 (as amended) and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agent) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,800. The District has designated the School Business Administrator to be the Qualified Purchasing Agent and has approved by resolution the bid threshold of \$40,000.

The district board of education has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the Board Attorney's opinion should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

Based on the results of our examination, we did not note any individual payments, contracts, or agreements made for the performance of any work or goods or services, in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4, amended.

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

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

**KEARNY BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**School Purchasing Programs (Continued)**

**Contracts and Agreements Requiring Advertisement for Bids (Continued)**

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

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

**School Food Service**

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

The Statement of Revenues, Expenses and Changes in Fund Net Position (CAFR Schedule B-5) does separate program and non-program revenue and cost of goods sold.

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

Cash receipts and bank records were reviewed for timely deposit.

The district utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with NJSA 18A:17-34, and 19-1 through 19-4.1. Provisions of the FSMC contract were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will have a profit of at least \$50,000. The operating results provision has not been met.

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

Net cash resources did not exceed three months average expenses.

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

The Food Service management company did provide the USDA mandated Non-Program Food Revenue Tool.

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



**KEARNY BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Student Activity Funds/Athletic Association/Scholarship Accounts**

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

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

- Cash receipt and disbursement ledgers were either not provided for audit or did not agree with the June 30, 2017 bank reconciliation.
- Bank reconciliations were not prepared and/or provided for audit for Roosevelt School, Garfield School and Schuyler School.
- There were checks issued with only one authorized signature.
- Supporting documentation for certain disbursements was not available. Furthermore, payment approval forms are not always utilized.
- Prenumbered receipts were not always utilized by Roosevelt School, Garfield School, Franklin School and Schuyler School.

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

**Finding** – Our audit of the athletic account revealed that payment forms were not always completed, signed and/or provided for audit. In addition, several checks disbursed from the athletic account contained only one signature.

**Recommendation** – Payment forms for disbursements made from the athletic account be completed, signed and made available for audit. In addition, all checks disbursed from the athletic account contain at least two signatures.

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

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

**Finding** – The District received a donation of \$418,466 for a scholarship. The funds were deposited in an investment account with Fidelity Investments. The investment types held are not allowable investments in accordance with New Jersey statutes.

**Recommendation** – The District invest their scholarship funds in investment types permitted by the New Jersey Statutes.

**Application for State School Aid**

Our audit procedures included a test of information reported in the October 14, 2016 Application for State School Aid (ASSA) for on-roll, private schools for the handicapped, bilingual and low income. We also performed a review of the District procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers with immaterial exceptions noted. The information that was included on the application was verified with minor exceptions noted. The results are presented in the Schedule of Audited Enrollments.

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

The district written procedures appear to be adequate for the recording of student enrollment data.

**KEARNY BOARD OF EDUCATION  
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**Pupil Transportation**

Our audit procedures included a test of on roll status reported in the 2016-2017 District Report of Transported Resident Students (DRTRS) with immaterial exceptions noted. 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.

**Facilities and Capital Assets**

**Finding** – The District currently maintains an Excel spreadsheet to track the cost and depreciation of its capital assets. The spreadsheet does not identify the location of the assets.

**Recommendation** – The District contract with an independent appraisal company to provide an updated capital asset appraisal report.

**Miscellaneous**

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

**Suggestions to Management**

The prior year property taxes receivable due from the Town of Kearny be reviewed and cleared of record.

**KEARNY BOARD OF EDUCATION  
FOOD SERVICE FUND  
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

This Schedule is Not Applicable for 2016-17.

**FOOD SERVICE ENTERPRISE FUND  
CALCULATION OF NET CASH RESOURCES  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

This Schedule is Not Applicable for 2016-17.

**KEARNY BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 14, 2016  
SCHEDULE OF AUDITED ENROLLMENTS**

	2017-2018 Application for State School Aid						Sample for Verification						Private Schools for Disabled				
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Register On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample from Work- papers	Sample Verified	Sample Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared					
Half Day Preschool 4 yrs	192.0		192.0					60		60							
Full Day Kindergarten	309.0		309.0					67		67							
Grade 1	320.0		320.0					52		52							
Grade 2	299.0		299.0					47		47							
Grade 3	322.0		322.0					61		61							
Grade 4	368.0		368.0					111		111							
Grade 5	347.0		347.0					64		64							
Grade 6	390.0		390.0					45		45							
Grade 7	390.0		390.0					390		390							
Grade 8	364.0		364.0					364		364							
Grade 9	382.0		382.0					382.0		382							
Grade 10	357.0		357.0					357.0		358		1.0					
Grade 11	383.0		383.0					383.0		383							
Grade 12	374.0		374.0					374.0		374							
Subtotal	4,797.0	-	4,797.0	-	-	-		2,757.0	-	2,758.0	-	1.0	-	-	-	-	-
Special Ed - Elementary	360.0		360.0					32		32			27.0	18.0	18.0		
Special Ed - Middle	221.0		221.0					148		148			17.0	12.0	10.0	(2.0)	
Special Ed - High	264.0		264.0					264		264			28.0	19.0	21.0	2.0	
Subtotal	845.0	-	845.0	-	-	-		444.0	-	444.0	-	-	-	72.0	49.0	49.0	-
Totals	5,642.0	-	5,642.0	-	-	-		3,201.0	-	3,202.0	-	1.0	-	72.0	49.0	49.0	-
Percentage Error					<u>0.00%</u>	<u>0.00%</u>						<u>0.03%</u>	<u>0.00%</u>				<u>0.00%</u>

**KEARNY BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 14, 2016  
SCHEDULE OF AUDITED ENROLLMENTS**

	<u>Resident Low Income</u>			<u>Sample for Verification</u>			<u>Resident LEP Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A as Low Income</u>	<u>Reported on Workpapers as Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>	<u>Reported on A.S.S.A as LEP Low Income</u>	<u>Reported on Workpapers as LEP Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Errors</u>
Full Day Kindergarten	181.0	181.0		4	4		23.0	23.0		5.0	5.0	
Grade 1	237.0	237.0		5	5		18.0	19.0	1.0	4.0	4.0	
Grade 2	219.0	219.0		4	4		17.0	17.0		4.0	4.0	
Grade 3	223.0	223.0		5	4	(1.0)	25.0	26.0	1.0	6.0	6.0	
Grade 4	273.0	273.0		5	5		18.0	19.0	1.0	4.0	4.0	
Grade 5	243.0	243.0		5	5		22.0	24.0	2.0	5.0	5.0	
Grade 6	225.0	225.0		6	5	(1.0)	15.0	16.0	1.0	4.0	4.0	
Grade 7	247.0	247.0		5	5		20.0	20.0		5.0	5.0	
Grade 8	197.0	197.0		4	4		15.0	15.0		3.0	3.0	
Grade 9	194.0	194.0		5	4	(1.0)	23.0	23.0		5.0	5.0	
Grade 10	169.0	169.0		4	4		17.0	17.0		4.0	4.0	
Grade 11	176.0	176.0		4	4		21.0	21.0		5.0	5.0	
Grade 12	176.0	176.0		4	4		12.0	12.0		3.0	3.0	
Subtotal	<u>2,760.0</u>	<u>2,760.0</u>	<u>-</u>	<u>60.0</u>	<u>57.0</u>	<u>(3.0)</u>	<u>246.0</u>	<u>252.0</u>	<u>6.0</u>	<u>57.0</u>	<u>57.0</u>	<u>-</u>
Special Ed - Elementary	275.0	275.0		6	6		5.0	5.0		1.0	1.0	
Special Ed - Middle	141.0	141.0		3	3		2.0	2.0				
Special Ed - High	150.0	150.0		3	3		2.0	2.0				
Subtotal	<u>566.0</u>	<u>566.0</u>	<u>-</u>	<u>12.0</u>	<u>12.0</u>	<u>-</u>	<u>9.0</u>	<u>9.0</u>	<u>-</u>	<u>1.0</u>	<u>1.0</u>	<u>-</u>
Juvenile Detention Center	1.0	1.0										
Totals	<u>3,327.0</u>	<u>3,327.0</u>	<u>-</u>	<u>72.0</u>	<u>69.0</u>	<u>(3.0)</u>	<u>255.0</u>	<u>261.0</u>	<u>6.0</u>	<u>58.0</u>	<u>58.0</u>	<u>-</u>
Percentage Error		<u>0.00%</u>			<u>-4.17%</u>			<u>2.35%</u>		<u>0.00%</u>		

	<u>Transportation</u>					
	<u>Reported on DRTRS by DOE/County</u>	<u>Reported on DRTRS by District</u>	<u>Errors</u>	<u>Tested</u>	<u>Verified</u>	<u>Errors</u>
Special Ed Without Special Need	149.0	149.0		41.0	39.0	(2.0)
Special Ed With Special Need	52.0	52.0		14.0	14.0	
	<u>201.0</u>	<u>201.0</u>	<u>-</u>	<u>55.0</u>	<u>53.0</u>	<u>(2.0)</u>
Percentage Error		<u>0.00%</u>			<u>-3.64%</u>	

**KEARNY BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID  
ENROLLMENT AS OF OCTOBER 14, 2016  
SCHEDULE OF AUDITED ENROLLMENTS**

	<b>Resident LEP NOT Low Income</b>			<b>Sample for Verification</b>		
	Reported on A.S.S.A as NOT Low Income	Reported on Workpapers as NOT Low Income	Errors	Sample Selected from Worpapers	Sample Verified to Register	Errors
Full Day Kindergarten	11.0	11.0		4.0	4.0	
Grade 1	2.0	2.0		1.0	1.0	
Grade 2	7.0	7.0		3.0	3.0	
Grade 3	9.0	9.0		4.0	4.0	
Grade 4	6.0	6.0		2.0	2.0	
Grade 5	4.0	4.0		2.0	2.0	
Grade 6	8.0	8.0		3.0	3.0	
Grade 7	3.0	3.0		1.0	1.0	
Grade 8	5.0	5.0		2.0	2.0	
Grade 9	19.0	19.0		8.0	8.0	
Grade 10	14.0	14.0		6.0	6.0	
Grade 11	24.0	24.0		10.0	10.0	
Grade 12	8.0	8.0		3.0	3.0	
Subtotal	<u>120.0</u>	<u>120.0</u>	<u>-</u>	<u>49.0</u>	<u>49.0</u>	<u>-</u>
Special Ed - Elementary	1.0	1.0				
Subtotal	<u>1.0</u>	<u>1.0</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>121.0</u>	<u>121.0</u>	<u>-</u>	<u>49.0</u>	<u>49.0</u>	<u>-</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**KEARNY BOARD OF EDUCATION  
CALCULATION OF EXCESS SURPLUS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

2016-2017 Total General Fund Expenditures per the CAFR (Budgetary Basis)	\$ 92,506,362	
Increased by:		
Capital Reserve Transfer to Capital Projects Fund	8,300,000	
Transfer to Food Service Fund	<u>323,214</u>	
	101,129,576	
Decreased by:		
Capital Lease	(288,859)	
On-Behalf TPAF Pension & Social Security	<u>(10,793,650)</u>	
Adjusted 2016-2017 General Fund Expenditures	<u>\$ 90,047,067</u>	
2% of Adjusted 2016-2017 General Fund Expenditures	\$ 1,800,941	
Allowable Adjustment - Extraordinary Aid Not Budgeted in 2016-2017	<u>155,919</u>	
Maximum Unreserved/Undesignated Fund Balance		\$ 1,956,860
Total General Fund - Budgetary Fund Balance at June 30, 2017	\$ 6,302,669	
Decreased by:		
Encumbrances	1,363,233	
Restricted Fund Balances		
Adult Education Programs	53,876	
Capital Reserve	2,368,729	
Excess Surplus Designated for Subsequent Year's Budget	482,308	
Assigned Fund Balance		
Designated for Subsequent Year's Budget	<u>58,559</u>	
	<u>4,326,705</u>	
Total Unassigned Fund Balance		<u>1,975,964</u>
<b>Fund Balance - Restricted for Excess Surplus</b>		<u><u>\$ 19,104</u></u>
<b><u>Analysis of Excess Surplus</u></b>		
Excess Surplus Designated for Subsequent Year's Budget		\$ 482,308
Excess Surplus		<u>19,104</u>
		<u><u>\$ 501,412</u></u>

**KEARNY BOARD OF EDUCATION  
RECOMMENDATIONS**

**I. Administrative Practices and Procedures**

There are none.

**II. Financial Planning, Accounting and Reporting**

It is recommended that:

1. Internal control procedures over payroll processing and reporting be reviewed and enhanced.
2. The District review the open purchase orders prior to the year-end and determine the proper classification of the purchase order as to an accounts payable or encumbrance.
3. The District review the coding of expenditures to ensure that purchases are classified in accordance with the State budgetary chart of accounts.
4. Monies collected by the Adult School be recorded in the District's General Fund financial records.
5. Continued efforts be made to collect the outstanding Capital Projects Fund grant receivables
6. The financial transactions of the Food Service Enterprise Fund be included on the Treasurer of School Monies monthly report.

**III. School Purchasing Program**

- \* It is recommended that purchase orders be issued prior to the ordering of goods and/or services.

**IV. School Food Service**

There are none.

**V. Student Body Activities/Athletics/Scholarships**

It is recommended that:

- \*
  1. Uniform accounting procedures be implemented for all student activity accounts. In addition, student activity accounts be pre-audited to ensure that the procedures are being adhered to and all documentation is available for audit.
  2. Payment forms for disbursements made from the athletic account be completed, signed and made available for audit. In addition, all checks disbursed from the athletic account contain at least two signatures.
- \*
  3. All payments made from scholarship accounts be made with a check authorized by at least two District employees.
  4. The District invest their scholarship funds in investment types permitted by the New Jersey statute.



**KEARNY BOARD OF EDUCATION  
RECOMMENDATIONS**

**VI. Application for State School Aid**

There are none.

**VII. Pupil Transportation**

There are none.

**VIII. Facilities and Capital Assets**

It is recommended that the District contract with an independent appraisal company to provide an updated capital asset appraisal report.

**X. Status of Prior Years' Audit Findings/Recommendations**

A review was performed on all prior years' recommendations and corrective action was taken on all, except for the above recommendation denoted with an asterisk (\*).

Respectfully submitted,



Gary J. Vinci  
Certified Public Accountant  
Public School Accountant