

**TOWN OF KEARNY SCHOOL DISTRICT
COUNTY OF HUDSON
NEW JERSEY**

AUDITOR'S MANAGEMENT REPORT

**ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED
JUNE 30, 2018**

PREPARED BY

***SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS***

TOWN OF KEARNY SCHOOL DISTRICT
COUNTY OF HUDSON
NEW JERSEY

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

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REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
of the Board of Education
Town of Kearny School District
County of Hudson, New Jersey

We have audited, in accordance with generally accepted audit 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 Town of Kearny School District in the County of Hudson for the year ended June 30, 2018, and have issued our report thereon dated January 31, 2019.

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 Kearny Board of Education's management and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.



JOSEPH J. FACCONI
Licensed Public School Accountant #194



SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Newark, New Jersey
January 31, 2019

TOWN OF KEARNY SCHOOL DISTRICT

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

Scope of Audit

The audit covered the financial transactions of the Board Secretary and the 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.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
H. Ronald Smith.	Interim Business Administrator Interim Board Secretary	\$400,000.00
Michael J. Lamprecht, Sr.	Treasurer of School Monies	400,000.00

There is a Public Employees' Faithful Performance Blanket Bond with the Selective Insurance covering all other employees with multiple coverage of \$500,000.00.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review revealed no discrepancies with respect to signatures, certification or supporting documentation.

Payroll Account and Position Control Roster

Net salaries of all employees were deposited in the Payroll Account.

All payroll deductions were deposited in the Payroll Agency Account.

All payrolls tested were approved by the Superintendent of Schools and certified by the President and the Board Secretary of the Board of Education.

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

Payrolls were delivered to the Treasurer of School Moneys with a warrant made to his order for the full amount of each payroll.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30th for proper classification of orders as a reserve for encumbrances and accounts payable.

Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund.

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 tested 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. As a result of the procedures performed, a transaction error rate of 0.0% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classifications.

Board Secretary's Records

The financial records, books of accounts and minutes maintained by the Board Secretary were in satisfactory condition. The prescribed contractual order system was followed.

The School District's double entry system of account records were maintained in accordance with the Department of Education's prescribed GAAP Technical Systems Manual, pursuant to N.J.S.A. 18A:4-14 and N.J.A.C. 6:20-2A.

Capital Assets were maintained in accordance with regulations prescribed by the New Jersey Department of Education.

Treasurer's Records

The Treasurer's records were examined and found to be in agreement with records of the Board Secretary.

Elementary and Secondary Education Act (E.S.E.A.), as Amended by the Every Student Succeeds Act (ESSA)

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 Titles I and VI of the Elementary and Secondary Education Act, as amended and reauthorized.

The study of compliance for E.S.E.A. indicated that there were no areas of noncompliance and/or questioned 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 that there were no areas of noncompliance and/or questioned costs.

TPAF Reimbursement

Our audit procedures included a test of the bimonthly 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.

TPAF Reimbursement to the State for Federal Salary Expenditures

The reimbursement to the State for the amount of the expenditure charged to the current year's Final Report(s) 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 subsequent to the end of the 60 day grant liquidation period, but prior to the 90 days required by *N.J.S.A. 18A:66-90*. Accordingly, the expenditure was made in accordance with State law (90 days) and properly reported as obligated and not expended and as an unliquidated balance in the current year's Final Report(s) for all federal awards.

School Purchasing Program

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* is \$40,000.00 with a Qualified Purchasing Agent. The law regulating bidding for public school student transportation contracts under *N.J.S.A. 18A:39-3* is currently \$19,000.00.

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.

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.

The results of our examination indicated that no 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*, as 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.

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.

Cash receipts and bank records were reviewed for timely deposit.

The District utilizes a food service management company (FSMC) and is depositing and expending program monies in accordance with *N.J.S.A. 18A:17-34*, and 19-1 through 19-4.1. Provisions of the FSMC contract/addendum were reviewed and audited. The FSMC contract includes an operating results provision which guarantees that the food service program will return a profit of at least \$50,000.00. The operating results provision has been met. All vendor discounts, rebates, and credits from vendors and/or the FSMC were tracked and credited to the Food Service Account and reconciled to supporting documentation at least annually.

Expenditures should be separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food and 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 nonprofit status of the school food service.

Net cash resources did not exceed three months average expenditures.

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

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.

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/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. Sites approved to participate in Provisions I and II were examined for compliance with all counting and claiming requirements. The required verification procedures for free and reduced price applications were completed and available for review.

USDA Food Distribution Program (food and/or commodities) were received and a single inventory was maintained on a first-in, first-out basis. No exceptions were noted.

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

The School District did provide the detailed revenue and expenditure information necessary in order to execute the USDA mandated Non-Program Food Revenue Tool at least annually.

Student Activity and Athletic Funds

The School Activity Accounts, maintained on the cash basis, encompasses separate accounts for the seven elementary schools, one high school and the athletic accounts.

Application for State School Aid

Our audit procedures included a test of information reported in the October 13, 2017 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 included as part of 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 2017-2018 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.

Facilities and Capital Assets

The District recorded their capital assets into the computerized general ledger for the period under audit. We found that the amounts recorded in the accounting system did not agree with the balances from the previous audit. We adjusted the opening capital asset balances, through retirements, so that the audit balances agreed with amounts in the general ledger.

Testing for Lead of All Drinking Water in Educational Facilities

The School District adhered to all the requirements of N.J.A.C. 26-1.2 and 12.4 related to the testing for lead of all drinking water in educational facilities.

The School District did submit the Annual Statement of Assurance to the Department of Education pursuant to N.J.A.C. 6a:26-12.4(g).

Follow-Up on Prior Year's Findings


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

Miscellaneous

The minutes indicate that the Report on Examination of Accounts for the 2016-2017 fiscal year was reviewed by the Board, a synopsis thereof distributed at a public meeting and public discussion held.

Acknowledgment

We received the complete cooperation of all the officials of the School District and greatly appreciate the courtesies extended to the members of the audit team.


JOSEPH J. FACCONO
Licensed Public School Accountant #194


SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Newark, New Jersey
January 31, 2019

BOARD OF EDUCATION
TOWN OF KEARNY SCHOOL DISTRICT
COUNTY OF HUDSON
SCHEDULE OF MEAL COUNT ACTIVITY
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM - FEDERAL
ENTERPRISE FUNDS - FOOD SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Under-claim</u>
National School Lunch - Severe Needs	Paid	107,541	107,541	107,541	None	\$ 0.33	None
	Reduced	44,095	44,095	44,095	None	2.85	None
	Free	<u>253,184</u>	<u>253,184</u>	<u>253,184</u>	<u>None</u>	3.25	<u>None</u>
Total National School Lunch		<u>404,820</u>	<u>404,820</u>	<u>404,820</u>	<u>None</u>		<u>None</u>
National School Lunch	HHFKA - PB Lunch Only	<u>404,820</u>	<u>404,820</u>	<u>404,820</u>	<u>None</u>	\$ 0.06	<u>None</u>
National School Breakfast - Severe Needs	Paid	26,843	26,843	26,843	None	\$ 0.30	None
	Reduced	9,473	9,473	9,473	None	1.79	None
	Free	<u>83,046</u>	<u>83,046</u>	<u>83,046</u>	<u>None</u>	2.09	<u>None</u>
Total National School Breakfast - Severe Needs		<u>119,362</u>	<u>119,362</u>	<u>119,362</u>	<u>None</u>		<u>None</u>
Total Net Underclaim							<u>None</u>

BOARD OF EDUCATION
TOWN OF KEARNY SCHOOL DISTRICT
COUNTY OF HUDSON
SCHEDULE OF MEAL COUNT ACTIVITY
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIM - STATE
ENTERPRISE FUNDS - FOOD SERVICE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

<u>Program</u>	<u>Meal Category</u>	<u>Meals Claimed</u>	<u>Meals Tested</u>	<u>Meals Verified</u>	<u>Difference</u>	<u>Rate</u>	<u>(Over)/ Under-claim</u>
National School Lunch	Paid	107,541	107,541	107,541	None	\$ 0.05	None
	Reduced	44,095	44,095	44,095	None	0.055	None
	Free	<u>253,184</u>	<u>253,184</u>	<u>253,184</u>	<u>None</u>	0.055	<u>None</u>
Total National School Lunch		<u>404,820</u>	<u>404,820</u>	<u>404,820</u>	<u>None</u>		<u>None</u>
Total Net Underclaim							<u>None</u>

**BOARD OF EDUCATION
TOWN OF KEARNY SCHOOL DISTRICT
COUNTY OF HUDSON
FISCAL YEAR ENDED JUNE 30, 2018**

NET CASH RESOURCE SCHEDULE

**Net Cash Resources Did Not Exceed Three Months of Expenditures
Proprietary Funds - Food Service
FYE 2018**

<u>Net Cash Resources</u>		Food Service B - 4/5	
CAFR	*	Current Assets	
B-4		Cash and Cash Equivalents	\$ 542,161
B-4		Due from Other Governments	
B-4		Accounts Receivable	\$ 94,622
B-4		Investments	
CAFR		Current Liabilities	
B-4		Less Accounts Payable	\$ (124,189)
B-4		Less Accruals	
B-4		Less Due to Other Funds	
B-4		Less Deferred Revenue	
		Net Cash Resources	<u><u>\$ 512,594</u></u> (A)

Net Adjustment Total Operating Expense

B-5	Total Operating Expense	\$ 2,025,965	
B-5	Less Depreciation	<u>(29,020)</u>	
	Adjustment Total Operating Expense	<u><u>\$ 1,996,945</u></u>	(B)

Average Monthly Operating Expense

B/10	<u><u>\$ 199,695</u></u>	(C)
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Three Times Monthly Average

3 X C	<u><u>\$ 599,084</u></u>	(D)
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TOTAL IN BOX A	<u>\$ 512,594</u>
LESS TOTAL IN BOX D	<u>\$ 599,084</u>
NET	<u><u>\$ (86,489)</u></u>

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.**

*Inventories are not to be included in total current assets.

SOURCE: USDA Resource Management Comprehensive Review Form

SCHEDULE OF AUDITED ENROLLMENTS

**TOWN OF KEARNY SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017**

	2018-2019 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 Veri- fication	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool 3	12		12		0		1		1		0					
Half Day Preschool 4	192		192		0		10		10		0					
Full Day Preschool 4																
Half Day Kindergarten																
Full Day Kindergarten	333		333		0		19		19		0					
One	311		311		0		18		18		0					
Two	308		308		0		17		17		0					
Three	305		305		0		17		17		0					
Four	318		318		0		18		18		0					
Five	345		345		0		19		19		0					
Six	336		336		0		18		18		0					
Seven	388		388		0		22		22		0					
Eight	386		386		0		22		22		0					
Nine	371		371		0		21		21		0					
Ten	369		369		0		21		21		0					
Eleven	347		347		0		20		20		0					
Twelve	361		361		0		20		20		0					
Post-Graduate																
Adult H.S. (15+CR.)																
Adult H.S. (1-14 CR.)																
Sub-Total	<u>4,682</u>	<u>0</u>	<u>4,682</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>263</u>	<u>0</u>	<u>263</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Special Ed - Elementary	370		370		0		21		21		0		31	24	24	0
Special Ed - Middle School	214		214		0		12		12		0		15	11	11	0
Special Ed - High School	282		282		0		16		16		0		23	17	17	0
Sub-Total	<u>866</u>	<u>0</u>	<u>866</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>49</u>	<u>0</u>	<u>49</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>69</u>	<u>52</u>	<u>52</u>	<u>0</u>
Co. Voc. - Regular																
Co. Voc. Ft. Post Sec.																
Totals	<u>5,548</u>	<u>0</u>	<u>5,548</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>312</u>	<u>0</u>	<u>312</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>69</u>	<u>52</u>	<u>52</u>	<u>0</u>
Percentage Error					<u>0.00%</u>	<u>0.00%</u>					<u>0.00%</u>	<u>0.00%</u>				<u>0.00%</u>

SCHEDULE OF AUDITED ENROLLMENTS

**TOWN OF KEARNY SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017**

	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 years old	0	0	0	0	0	0	0	0	0	0	0	0
Full Day Preschool-4 years old	0	0	0	0	0	0	0	0	0	0	0	0
Half Day Kindergarten	0	0										
Full Day Kindergarten	236	236	0	21	21	0	30	30	0	14	14	0
One	208	208	0	18	18	0	23	23	0	11	11	0
Two	230	230	0	20	20	0	31	31	0	15	15	0
Three	217	217	0	19	19	0	14	14	0	7	7	0
Four	227	227	0	20	20	0	26	26	0	12	12	0
Five	259	259	0	22	22	0	26	26	0	12	12	0
Six	225	225	0	20	20	0	21	21	0	10	10	0
Seven	217	217	0	19	19	0	20	20	0	10	10	0
Eight	226	226	0	20	20	0	28	28	0	13	13	0
Nine	208	208	0	19	19	0	23	23	0	11	11	0
Ten	174	174	0	16	16	0	25	25	0	12	12	0
Eleven	146	146	0	13	13	0	22	22	0	11	11	0
Twelve	169	169	0	15	15	0	22	22	0	11	11	0
Post-Graduate												
Adult H.S. (15+CR)												
Adult H.S. (1-14 CR)												
Sub-Total	<u>2,742</u>	<u>0</u>	<u>0</u>	<u>242</u>	<u>242</u>	<u>0</u>	<u>311</u>	<u>311</u>	<u>0</u>	<u>149</u>	<u>149</u>	<u>0</u>
Special Ed - Elementary	258	258	0	25	25	0	5	5	0	2	2	
Special Ed - Middle	138	138	0	13	13	0	1	1	0	1	1	
Special Ed - High	156.0	156.0	0	15	15	0	0	0	0	0	0	
Sub-Total	<u>552</u>	<u>552</u>	<u>0</u>	<u>53</u>	<u>53</u>	<u>0</u>	<u>6</u>	<u>6</u>	<u>0</u>	<u>3</u>	<u>3</u>	<u>0</u>
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	<u>3294</u>	<u>552</u>	<u>0</u>	<u>295</u>	<u>295</u>	<u>0</u>	<u>317</u>	<u>317</u>	<u>0</u>	<u>152</u>	<u>152</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>			<u>0.00%</u>

	Transportation						Reported	Recalculated	
	Reported on DRTRS by DOE/County	Reported on DRTRS by District	Errors	Tested	Verified	Errors			
Reg. - Public Schools, col. 1									
Reg - SpEd	152	152	0	86	86	0			
Transported - Nonpublic									
Nonpublic AIL									
Courtesy Elementary	1	1	0	1	1	0			
Special Ed Spec.	53	53	0	30	30	0			
Totals	<u>206</u>	<u>206</u>	<u>0</u>	<u>117</u>	<u>117</u>	<u>0</u>			
Percentage Error						<u>0.00%</u>			
							Reg. Avg. (Mileage) = Regular Including Grade PK Students	1.1	1.1
							Reg. Avg. (Mileage) = Regular Excluding Grade PK Students		
							Spec Avg. = Special Ed with Special Needs	8.3	8.3

SCHEDULE OF AUDITED ENROLLMENTS

TOWN OF KEARNY SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2017

	<u>Resident LEP NOT Low Income</u>			<u>Sample for Verification</u>		
	<u>Reported on A.S.S.A. as NOT Low Income</u>	<u>Reported on Workpapers as NOT Low Income</u>	<u>Errors</u>	<u>Sample Selected from Workpapers</u>	<u>Verified to Application and Register</u>	<u>Sample Errors</u>
Full Day Preschool - 3 Years Old						
Full Day Preschool - 4 Years Old						
Half Day Kindergarten						
Full Day Kindergarten	5	5	0	4	4	0
One	19	19	0	14	14	0
Two	5	5	0	4	4	0
Three	3	3	0	2	2	0
Four	8	8	0	6	6	0
Five	5	5	0	4	4	0
Six	4	4	0	3	3	0
Seven	6	6	0	5	5	0
Eight	0	0	0	0	0	0
Nine	8	8	0	6	6	0
Ten	13	13	0	10	10	0
Eleven	7	7	0	5	5	0
Twelve	7	7	0	5	5	0
Post-Graduate						
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Sub-Total	<u>90</u>	<u>90</u>	<u>0</u>	<u>68</u>	<u>68</u>	<u>0</u>
Special Ed - Elementary	3	3	0	2	2	0
Special Ed - Middle	1	1	0	1	1	0
Special Ed - High	2	2	0	2	2	0
Sub-Total	<u>6</u>	<u>6</u>	<u>0</u>	<u>5</u>	<u>5</u>	<u>0</u>
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	<u>96</u>	<u>96</u>	<u>0</u>	<u>73</u>	<u>73</u>	<u>0</u>
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

**BOARD OF EDUCATION
TOWN OF KEARNY SCHOOL DISTRICT
COUNTY OF HUDSON
FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

**EXCESS SURPLUS CALCULATION
REGULAR DISTRICT**

SECTION 1

A. 2% Calculation of Excess Surplus

2017-18 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>99,713,766.80</u> (B)	
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	\$ <u>2,000,000.00</u> (B1a)	
Transfer from Capital Reserve to Capital Projects Fund	\$ _____ (B1b)	
Transfer from General Fund to SRF for PerK-Regular	\$ _____ (B1c)	
Transfer from General Fund to SRF for PerK-Inclusion	\$ _____ (B1d)	
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ <u>11,829,891.96</u> (B2a)	
Assets Acquired Under Capital Leases	\$ <u>707,117.16</u> (B2b)	
Adjusted 2017-18 General Fund Expenditures [(B)+(B1s)-(B2s)]	\$ <u>89,176,757.68</u> (B3)	
2% of Adjusted 2017-18 General Fund Expenditures [(B3) times .02]	\$ <u>1,783,535.15</u> (B4)	
Enter Greater of (B4) or \$250,000	\$ <u>1,783,535.15</u> (B5)	
Increased by: Allowable Adjustment*	\$ <u>160,735.00</u> (K)	
Maximum Unassigned/Undesignated-Unreserved Fund Balance [(B5)+(K)]		\$ <u>1,944,270.15</u> (M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-2018 (Per CAFR Budgetary Comparison Schedule-C1)	\$ <u>4,442,244.77</u> (C)	
Decreased by:		
Year-end Encumbrances	\$ <u>1,441,048.33</u> (C1)	
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ _____ (C2)	
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ <u>19,104.00</u> (C3)	
Other Restricted Fund Balances ****	\$ <u>639,742.29</u> (C4)	
Assigned Fund Balance - Unreserved - Designated for Subsequent Year's Expenditures	\$ <u>398,080.00</u> (C5)	
Additional Assigned Fund Balance - Unreserved - Designated for subsequent Year's Expenditures July 1, 2018 - August 1, 2018	\$ _____ (C6) *****	
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]		\$ <u>1,944,270.15</u> (U1)

**BOARD OF EDUCATION
TOWN OF KEARNY SCHOOL DISTRICT
COUNTY OF HUDSON
FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)**

SECTION 3

Restricted Fund Balance - Excess Surplus**[(U1)-(M)] IF NEGATIVE ENTER -0- \$ 0 (E)

Recapitulation of Excess Surplus as of June 30, 2018

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ 19,104.00 (C3)
Reserved Excess Surplus**[(E)]	\$ <u>0</u> (E)
Total Excess Surplus [(C3) + (E)]	\$ <u>19,104.00</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:7F-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, 2016 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);
- (J1) Extraordinary Aid;
- (J2) Additional Nonpublic School Transportation Aid;
- (J3) Recognized current year School Bus Advertising Revenue; and
- (J4) Family Crisis Transportation Aid.

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

Detail of Allowable Adjustments

Impact Aid	\$ _____	(H)
Sale & Lease-back	\$ _____	(I)
Extraordinary Aid	\$ 160,735.00	(J1)
Additional Nonpublic School Transportation Aid	\$ _____	(J2)
Current Year School Bus Advertising Revenue Recognized	\$ _____	(J3)
Family Crisis Transportation Aid	\$ _____	(J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	\$ <u>160,735.00</u>	(K)

** This amount represents the June 30, 2018 Excess Surplus (C3 above) and must be included in the Audit Summary Line 90031.

*** Amount must agree to the June 30, 2018 CAFR and must agree to Audit Summary Line 90030.

**** Amount for Other Restricted Fund Balances 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 Administration and Finance prior to September 30.

***** Increase in Assigned Fund Balance - Unreserved - Designated for Subsequent Year's expenditures July 1, 2018 to August 1, 2018 resulting from decrease in state aid after adoption of 2018-19 district budget. Refer to Commissioner's Broadcast and to page I-4.2 of this Audit Program.

BOARD OF EDUCATION
TOWN OF KEARNY SCHOOL DISTRICT
COUNTY OF HUDSON
FISCAL YEAR ENDED JUNE 30, 2018
(UNAUDITED)

Detail of Other Restricted Fund Balance

Statutory restrictions:	
Approved unspent separate proposal	\$ _____
Sale/lease-back reserve	\$ _____
Capital reserve	\$ 585,866.21
Maintenance reserve	\$ _____
Emergency reserve	\$ _____
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	\$ _____
Adult Education Program	\$ 53,876.08
 Total Other Restricted Fund Balance	 \$ 639,742.29 (C4)

TOWN OF KEARNY SCHOOL DISTRICT
AUDIT RECOMMENDATIONS SUMMARY
FISCAL YEAR ENDED JUNE 30, 2018

It is recommended that:

1. Administrative Practices and Procedures

None

2. Financial Planning, Accounting and Reporting

None

3. School Purchasing Program

None

4. School Food Service

None

5. Student Body Activities

None

6. Application for State School Aid

None

7. Pupil Transportation

None

8. Facilities and Capital

None

9. Follow-Up on Prior Year's Findings

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

10. Miscellaneous

None

