



**NEWARK BOARD OF EDUCATION  
COUNTY OF ESSEX, NEW JERSEY**

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

**JUNE 30, 2021**

**NEWARK BOARD OF EDUCATION  
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS–  
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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## Independent Auditors' Report

President and Members  
of the Board of Education  
Newark Board of Education  
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 Newark Board of Education, in the County of Essex, for the year ended June 30, 2021, and have issued our report thereon dated March 1, 2022.

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 Board of Education's management and 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

March 1, 2022  
Florham Park, New Jersey

**Newark Board of Education  
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

Insurance coverage was carried in the amounts as detailed on J-20, Insurance Schedule contained in the District's ACFR.

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 Employees' 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 Finance Committee of the Board.

**Newark Board of Education  
Administrative Findings-Financial,  
Compliance and Performance**

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).

No exceptions were identified.

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 2021-001**

*Finding:*

During our review of accounts payable and open purchase orders, we noted instances, identified throughout various testing, where the District did not issue a purchase order prior to goods being received or services being rendered (confirming order). The District continues to make progress decreasing the number of instances. Additionally, the majority of the items identified did have authorization purchase forms approved prior to payment.

*Recommendation:*

We suggest the District strengthen internal controls and procedures to ensure that all purchase orders that are 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 Board of Education  
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 item:

**Finding 2021-002**

*Finding:*

During our testing of legal expenses, we noted the District's annual legal costs exceeded 130 percent of the statewide average per pupil. The District has kept costs consistent in the past three years from \$86 per pupil in the 2018 fiscal year, to \$88 per pupil in the 2019 fiscal year and to \$87 in the 2020 fiscal year.

*Recommendation:*

We suggest the District continue to 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. We note the District continually strives to reduce this number, but based upon the size of the District and the number of legal cases it is extremely difficult to reduce the costs to \$57 per pupil.

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 General Fund. No exceptions were noted.

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 Annual Comprehensive Financial Report (ACFR). This section of the ACFR documents the financial position pertaining to the projects under E.S.E.A.

The study of compliance for E.S.E.A. did not identify any areas of noncompliance.

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 ACFR.

**Newark Board of Education  
Administrative Findings-Financial,  
Compliance and Performance**

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 ACFR. This section of the ACFR 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 2021-003**

*Finding:*

During our testing of Extraordinary Aid, we noted that the District incorrectly claimed costs for six of the 196 students selected for testing. For one student, SEMI costs were not deducted from the application, for another student the District included unsupported costs and for four remaining students the District underclaimed costs. The errors resulted in a net underclaim of costs of \$60,565 which resulted in approximately \$40,000 in lost reimbursements.

*Recommendation:*

We suggest the District strengthen internal controls and procedures to ensure that all eligible special education costs are appropriately calculated and reported on the Extraordinary Aid application.

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.

**Newark Board of Education  
Administrative Findings-Financial,  
Compliance and Performance**

**School Purchasing Programs**

Contracts and Agreements Requiring Advertisement for Bids

The bid thresholds in accordance with *N.J.S.A. 18A:18A-2* and *18A:18A-3(a)* are \$44,000 with a Purchasing Agent and \$32,000 without a Qualified Purchasing Agent, respectively. The law regulating bidding for public school transportation contracts under *N.J.S.A. 18A:39-3* is \$19,600 for 2020-21.

The Newark 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.

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 during our testing procedures.

**School Food Service**

*PUBLIC HEALTH EMERGENCY*

In accordance with the Governor's Declaration of Emergency pertaining to the COVID 19 Virus all Public, Charter and Non-Public schools were ordered to close effective as of March 18, 2020 for an undetermined period to limit the spread of the virus. As a result, School Food Authorities (SFA) were required to institute alternate procedures to provide meals to Free and Reduced Price eligible students during the period of school closures.

During SY 2020-2021 the public health emergency was still applicable. As a result, SFAs were required to provide meals in accordance with the regulations governing the National School Nutrition Seamless Summer Option (SSO) or the Summer Food Service Program (SFSP) option.

SFAs were authorized to solicit and award emergency noncompetitive procurements and contracts with Food Service Management Companies in accordance with 2 CFR 200.320 and *N.J.S.A.18A:18A-7*. The SFAs were also authorized to submit contract modifications to their existing Cost Reimbursable or Fixed Price contracts as necessary to ensure the feeding of all children throughout the age of 18, as well as persons over 18 with disabilities as defined in the regulations.



**Newark Board of Education  
Administrative Findings-Financial,  
Compliance and Performance**

SFAs were notified of the requirement to maintain and report separate meal count records and financial records of all applicable costs incurred in providing meals to all students during the emergency.

The school food service program was not selected as a major federal program. However, the program expenditures exceeded \$100,000 in federal support. Accordingly, we inquired of school management, or appropriate food service personnel, as to whether the School Food Authority (SFA) had any Child Nutrition Program reimbursement overclaims or underclaims. No exceptions were noted.

We also inquired of school management, or appropriate school food service personnel, as to whether the SFA's expenditures of school food service revenues were limited to allowable direct and indirect costs. No exceptions were noted.

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

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

We also inquired of management about the public health emergency procedures/practices that the SFA instituted to provide meals to all students, maintenance of all applicable production records; meal counts; noncompetitive procurements; modification of existing contracts and applicable financial records to document the specific costs applicable to the emergency operations.

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

**Student Body Activities**

During our audit of the student activity funds, no exceptions requiring corrective action were noted.

**Application for State School Aid**

Our audit procedures included a test of information reported in the October 15, 2020 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 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.

**Newark Board of Education  
Administrative Findings-Financial,  
Compliance and Performance**

**Finding 2021-004**

*Finding:*

During our review of the District's ASSA, the following was identified:

- During our testing of the amounts reported on the ASSA as compared to District internal workpapers, the following was identified:
  - The total number of students reported on the ASSA as full-time on-roll was under-reported by 341 students while the total number of students reported on the ASSA as shared-time on-roll was over-reported by 297 students. A total of 36,857 full-time and part-time students were reported on the ASSA.
  - Out of 322 students selected in a sample of low-income students:
    - The District reported 1 student as attending a school but was unable to provide documentation of attendance.
- During our testing of the amounts reported on the ASSA as receiving bilingual services as compared to District internal workpapers, we noted the District was unable to provide support for 13 of 312 students selected:
  - The District was unable to provide test scores for 10 students. Upon further review, it was noted that these 10 students were misclassified as bilingual on the ASSA.
  - Two students identified attending a school other than that reported.
  - One student was reported as low-income, however was not eligible for free or reduced lunch.
- During our testing of the amounts reported on the ASSA as enrolled in private school as compared to District internal workpapers, we noted the District was unable to provide support for 12 of 123 students selected:
  - The District was unable to provide an October 2020 tuition bill and unable to confirm the student's attendance at the private school for 4 students.
  - The District provided IEPs for 1 student that did not cover the reporting date, and therefore could not be verified.
  - The District was unable to provide a tuition contract or October billing statement for 5 students. Upon further review, it was noted that these 5 students were misclassified as private school students on the ASSA.
  - For 3 selected student the District was unable to provide any verification the student was enrolled in a private school as of October 15, 2020. The students were all confirmed as graduated prior to the count date.
- During our testing of the amounts reported on the ASSA, we compared the amount of students reported with District attendance records and IEPs (when required). For a sample of 2,146 students, the following was noted:
  - The District was unable to provide attendance records for the District's Adult High school program, with a total of 195 full-time students and 293 part-time students reported.
  - The District was unable to provide IEPs for 3 students.
  - The District was unable to provide documentation 1 student was in attendance at an in-district school
- During our testing of the District's DRTRS, the following was identified:
  - Three students identified were not on the District's attendance records.

**Newark Board of Education  
Administrative Findings-Financial,  
Compliance and Performance**

- Two students identified attending a school other than that reported.
- The District was unable to provide an IEP requiring specialized transportation for one student.
- The District was unable to provide certificates of attendance for 59 charter school students. The District made multiple attempts to obtain the documents from the charter school. The District provides the transportation without the support in order to meet transportation requirements and not penalize the students for the charter schools mismanagement of records.

*Recommendation:*

We suggest that the District strengthen its internal controls to ensure that the students listed on the ASSA and DRTRS reports are properly supported by District records and reported correctly.

**Pupil Transportation**

Our audit procedures included a test of on roll status reported in the 2020-21 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report 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 above. 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**

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. No exceptions were noted during our testing procedures.

**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 submitted the annual Statement of Assurance to the Department of Education, pursuant to *N.J.A.C. 6A:26-12.4(g)*.

**Newark Board of Education  
Administrative Findings-Financial,  
Compliance and Performance**

**Miscellaneous**

*Student Activity Funds*

During our testing of student activity fund receipts and disbursements, we noted immaterial instances of noncompliance related to the timeliness of deposits and deposited amounts not always agreeing to receipt records. A recommendation was not included in this report, as the District continues to implement new oversight procedures related to student activity funds and the District had already identified the exceptions as part of its internal procedures.

**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.

- 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. The District has made progress reducing this number, but based upon the size of the District and the number of legal cases it is extremely difficult to reduce the costs to \$57 per pupil.
- Findings related to the District's Application for State School Aid.

There were no audit reports issued by the Office of Fiscal Accountability and Compliance (OFAC) during the 2021 fiscal year.

**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 AUDITED ENROLLMENTS**  
**NEWARK BOARD OF EDUCATION**  
**APPLICATION FOR STATE SCHOOL AID SUMMARY**  
**ENROLLMENT AS OF OCTOBER 15, 2020**

	2021-22 Application for State School Aid						Sample for Verification				Private Schools for Disabled					
	Reported on A.S.S.A. On Roll		Workpapers On Roll		Errors		Sample Workpapers		Registers Verified per		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools		Sample for Verification	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Full Day Preschool - 3 yrs	680		707		(27)		36		36							
Full Day Preschool - 4yrs	1,118		1,142		(24)		20		20							
Half Day Kindergarten	-		-				-		-							
Full Day Kindergarten	2,078		2,066		12		42		42		(1)					
One	2,256		2,219		37		34		35		3					
Two	2,349		2,287		62		119		116		3					
Three	2,332		2,281		51		43		42		1					
Four	2,211		2,167		44		107		103		4					
Five	2,204		2,164		40		79		76		3					
Six	2,219		2,187		32		98		98							
Seven	2,296		2,283		13		100		100							
Eight	2,350		2,332		18		23		23							
Nine	2,196		2,189		7		160		159		1					
Ten	2,107		2,101		6		144		144							
Eleven	1,966		1,957		9		414		412		2					
Twelve	1,896		1,894		2		179		179							
Post-Graduate																
Adult H.S. (15+CR.)	195		195				195		195							
Adult H.S. (1-14 CR.)	293		293		(293)		293		293		(293)					
Subtotal	30,453		30,464		(11)		1,793		2,073		(280)					
Special Ed - Elementary	2,710		2,951.0		(241)		88		111		(23)		29		17	15
Special Ed - Middle School	1,684		1,747.0		(63)		44		51		(7)		48		27	23
Special Ed - High School	1,713		1,739.0		(26)		221		222		(1)		138		79	73
Unallocated																
Subtotal	6,107		6,437		(330)		353		384		(31)		215		123	111
Co. Voc. - Regular																
Co. Voc. Ft. Post Sec.																
Totals	36,560		36,901		(341)		2,146		2,457		(311)		215		123	111
Percentage Error					-0.92%		100.00%				-14.49%		0.00%			
																9.76%

**NEWARK BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2020**

**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	307	307		2	2							
Full Day Preschool - 4yrs	782	784	(2)	11	11							
Half Day Kindergarten	1,481	1,471	10	9	9		334	330	4	21	21	
Full Day Kindergarten	1,900	1,870	30	20	20		479	474	5	18	18	
One	1,949	1,898	51	18	18		436	423	13	20	20	
Two	1,948	1,905	43	17	17		543	532	11	25	23	2
Three	1,836	1,798	38	11	11		472	465	7	19	19	
Four	1,808	1,776	32	17	17		391	381	10	14	13	1
Five	1,824	1,798	26	24	24		341	338	3	13	13	
Six	1,844	1,832	12	22	22		290	289	1	15	15	
Seven	1,882	1,868	14	16	16		335	335		12	11	1
Eight	1,570	1,560	10	22	22		227	227		9	9	
Nine	1,393	1,388	5	24	23	1	240	240		13	13	
Ten	1,293	1,285	8	19	19		194	191	3	11	11	
Eleven	1,174	1,173	1	21	21		204	204		9	9	
Twelve		2	(2)							1	1	
Post-Graduate		42	(42)									
Adult H.S. (15+CR.)		18	(18)									
Adult H.S. (1-14 CR.)		22,775	216	253	252	1	4,486	4,430	56	200	196	4
Subtotal	22,991	22,775	216	253	252	1	4,486	4,430	56	200	196	4
Special Ed - Elementary	2,326	2,527	(201)	33	33		336	386	(50)	30	27	3
Special Ed - Middle	1,445	1,496	(51)	15	15		100	105	(5)	7	6	1
Special Ed - High	1,278	1,299	(22)	21	21		47	49	(3)	5	4	1
Subtotal	5,049	5,322	(274)	69	69	-	483	540	(58)	42	37	5
Co. Voc. - Regular												
Co. Voc. Ft. Post Sec.												
Totals	28,040	28,097	(58)	322	321	1	4,969	4,970	(2)	242	233	9
Percentage Error			-0.21%						-0.03%			3.72%
<b>Transportation</b>												
	Reported on DRTS by DOE/county	Reported on DRTS by District	Errors	Tested	Verified	Errors						
Regular - Public	8,951	8,951	-	212	158	54						
Regular - Spec. Ed	3,816	3,816	-	90	80	10						
Transported - Non-Public	55	55	-	1	1	-						
Transported - Aid-In-Leu	421	421	-	10	10	-						
Spec. Ed - Special needs	214	214	-	5	5	-						
Totals	13,457	13,457	0.00%	318	254	64.00						
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

Reported 3.3  
 Recalculated 3.3  
 Reported 3.3  
 Recalculated 10.4

**NEWARK BOARD OF EDUCATION  
APPLICATION FOR STATE SCHOOL AID SUMMARY  
ENROLLMENT AS OF OCTOBER 15, 2020**

**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	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Full Day Preschool - 3 yrs						
Full Day Preschool - 4yrs						
Half Day Kindergarten						
Full Day Kindergarten						
One	135	133	2	9	9	
Two	77	74	3	2	2	
Three	101	100	1	3	3	
Four	118	116	2	4	4	
Five	88	87	1	2	2	
Six	86	85	1	5	5	
Seven	72	72		2	2	
Eight	83	83		6	6	
Nine	72	71	1	5	5	2
Ten	76	76		7	7	1
Eleven	176	176		7	6	
Twelve	114	113	1	3	3	
Post-Graduate	143	143		9	8	1
Adult H.S. (15+CR.)						
Adult H.S. (1-14 CR.)						
Subtotal	1,341	1,329	12	64	60	4
Special Ed - Elementary	63	73	(10)	4	4	
Special Ed - Middle	23	24	(1)	2	2	
Special Ed - High	13	14	(1)	-	-	
Subtotal	99	111	(12)	6	6	
Co. Voc. - Regular						
Co. Voc. Ft. Post Sec.						
Totals	1,440	1,440	-	70	66	4
Percentage Error			0.00%			5.71%

**NEWARK BOARD OF EDUCATION  
GENERAL FUND  
EXCESS SURPLUS CALCULATION  
YEAR ENDED JUNE 30, 2021**

**SECTION 1**

**A. 4% Calculation of Excess Surplus**

2020-21 Total General Fund Expenditures Reported on Exhibit C-1	\$ 1,118,103,159 (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	\$ 2,981,117 (A1a)
Less: Expenditures Allocated to Restricted Federal Sources as Reported On Exhibit D-2	<u>14,228,805 (A1b)</u>
2020-21 Adjusted General Fund and Other State Expenditures [(A)+(A1a)-(A1b)]	<u>\$ 1,106,855,471 (A2)</u>
Decreased by:	
On-Behalf TPAF Pension and Social Security	<u>129,082,598 (A3)</u>
Assets Acquired Under Capital Leases:	
General Fund 10 Assets Acquired Under Capital Leases reported on Exhibit C-1a	<u>- (A4)</u>
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	<u>- (A5)</u>
Combined General Fund Contribution & State Resources Percent of Fund 15 Resources Reported on Exhibit D-2	<u>96.05% (A6)</u>
General Fund & State Resources Portion of Fund 15 Assets Acquired Under Capital Leases [(A5)*(A6)]	<u>- (A7)</u>
Total Assets Acquired Under Capital Leases [(A4)+(A7)]	<u>- (A8)</u>
2020-21 General Fund Expenditures [(A2)-(A3)-(A8)]	<u>977,772,873 (A9)</u>
4 percent of Adjusted 2020-21 General Fund Expenditures [(A9) times .04]	<u>39,110,915 (A10)</u>
Enter Greater of (A10) or \$250,000	39,110,915 (A11)
Increased By: Allowable Adjustment*	<u>2,984,052 (K)</u>
Maximum Unassigned Fund Balance [(A11)+(K)]	<u>\$ 42,094,967 (M)</u>
<b>Detail of Allowable Adjustments</b>	
Impact Aid	\$ - (H)
Sale & Lease-back	\$ - (I)
Extraordinary Aid	\$ 2,861,962 (J1)
Additional Nonpublic School Transportation Aid	\$ 122,090 (J2)
Current Year School Bus Advertising Revenue Recognized	\$ - (J3)
Family Crisis Transportation Aid	\$ - (J4)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)]	<u>\$ 2,984,052 (K)</u>



**SECTION 2**

Total General Fund - Fund Balances at June 30, 2021	\$ <u>105,681,179</u> (C)
Decreased By:	
Year-end Encumbrances	\$ <u>19,259,703</u> (C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ <u>-</u> (C2)
Excess Surplus - Designated for Subsequent Year's Expenditures**	\$ <u>2,305,352</u> (C3)
Other Restricted/Reserved Fund Balances****	\$ <u>14,398,910</u> (C4)
Assigned - Designated for Subsequent Year's Expenditures	\$ <u>-</u> (C5)
Total Unassigned Fund Balance [©-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ <u>69,717,214</u> (U)

\*\* The amount represents the June 30, 2020 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet 90031.

\*\*\*\* 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 Commissioner - Field Services prior to September 30.

- (N-1) Capital reserve at June 30, 2021.
- (N-2) Maintenance reserve minimum required under EFCFA.
- (N-3) Tuition reserve at June 30, 2021.
- (N-4) Emergency reserve at June 30, 2021.
- (N-5) School bus fuel offset reserve - current year - June 30, 2021.
- (N-6) School bus fuel offset reserve - prior year - June 30, 2021.
- (N-7) Impact Aid general fund reserve at June 30, 2021.
- (N-8) Impact Aid capital fund reserve at June 30, 2021.
- (N-9) Unemployment Fund reserve at June 30, 2021.

**Detail of Other Restricted/Reserved Fund Balance**

**Statutory restrictions:**

Approved unspent separate proposal	\$ <u>-</u>
Sale/lease-back reserve	\$ <u>-</u>
Capital reserve (N-1)	\$ <u>6,919,941</u>
Maintenance reserve (N-2)	\$ <u>-</u>
Tuition reserve (N-3)	\$ <u>-</u>
Emergency reserve (N-4)	\$ <u>-</u>
School Bus Advertising 50% Fuel Offset Reserve - current year (N-5)	\$ <u>-</u>
School Bus Advertising 50% Fuel Offset Reserve - prior year (N-6)	\$ <u>-</u>
Impact Aid General Fund Reserve (Sections 8002 and 8003) (N-7)	\$ <u>-</u>
Impact Aid Capital Fund Reserve (Sections 8007 and 8008) (N-8)	\$ <u>-</u>
Reserve for Unemployment Fund (N-9)	\$ <u>7,478,969</u>
<b>Other Restricted/Reserved Fund Balance not noted above****</b>	<b>\$ <u>-</u></b>
<b>Total Other Restricted/Reserved Fund Balance</b>	<b>\$ <u>14,398,910</u> (C4)</b>

**SECTION 3**

Restricted Fund balance - Excess Surplus**[(U)-(M)] IF NEGATIVE ENTER-0	\$ <u>27,622,247</u> (E)
Summary:	
Restricted Excess Surplus - Designated for Subsequent Year's Expenditures**	2,305,352 (C3)
Restricted Excess Surplus ***	<u>27,622,247</u> (E)
Total [(C3) + (E)]	<u>29,927,599</u> (D)

**Newark Board of Education  
Audit Recommendations Summary  
June 30, 2021**

We suggest the following:

**Administrative Practices and Procedures**

None

**Financial Planning, Accounting and Reporting**

2021-0021– The District strengthen internal controls and procedures to ensure that all purchase orders that are issued to vendors for goods or services be approved prior to the vendor providing those goods or services.

2021-002 - The District continue to 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. We note the District continually strives to reduce this number, but based upon the size of the District and the number of legal cases it is extremely difficult to reduce the costs to \$57 per pupil.

2021-003 - We suggest the District strengthen internal controls and procedures to ensure that all eligible costs are appropriately claimed related to Extraordinary Aid.

**School Purchasing Programs**

None

**School Food Service**

None

**Student Body Activities**

None

**Application for State School Aid**

2021-004 - The District strengthen its internal controls to ensure that the students listed on the ASSA reports are properly supported by District records and reported correctly.

**Pupil Transportation**

None

**Newark Board of Education  
Audit Recommendations Summary  
June 30, 2021**

**Facilities and Capital Assets**

None

**Miscellaneous**

None

**Status of Prior Year Findings**

All prior year findings were corrected, except the findings 2021-001, 2021-002 and 2021-004, which were repeated in the current year.