

**AUDITORS MANAGEMENT REPORT  
ON ADMINISTRATIVE FINDINGS -  
FINANCIAL, COMPLIANCE AND PERFORMANCE  
SCHOOL DISTRICT OF  
CITY OF HACKENSACK  
COUNTY OF BERGEN, NEW JERSEY  
JUNE 30, 2017**

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## REPORT OF INDEPENDENT AUDITORS

Honorable President and  
Members of the Board of Education  
City of Hackensack School District  
County of Bergen, 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 Board of Education of the City of Hackensack School District in the County of Bergen for the year ended June 30, 2017, and have issued our report thereon dated September 6, 2017.

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

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

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September 6, 2017

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

**GENERAL COMMENTS**

**Scope of Audit**

The audit covered the financial transactions of the Interim Board Secretary/School Business Administrator, 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 of the District's CAFR.

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

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Pamela Hinman	Board Secretary/School Business Administrator	\$480,000

**Tuition Charges**

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs exceeded the estimated costs. The Board made a proper adjustment to the billings to sending districts for the increase in per pupil costs in accordance with N.J.A.C. 6A:23A-17.1(f)3.

**Financial Planning, Accounting and Reporting**

**Examination of Claims**

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

**Payroll Account**

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

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

## **Financial Planning, Accounting and Reporting, (continued)**

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 secretary of the Board who then deposited with warrants in separate bank accounts for net payroll and withholdings.

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

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

### **Employee Position Control Roster**

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

### **Reserve for Encumbrances, Liability for Accounts Payable**

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

**Finding 2017-001:** There were instances in which amounts were improperly recorded as encumbrances/accounts payable as of June 30, 2017.

**Recommendation:** Purchase orders should be reviewed for proper classification at June 30 as accounts payable or reserve for encumbrances based upon whether the goods have been received or the services rendered.

### **Classification of Expenditures**

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23A-16.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall reliability and compliance with N.J.A.C. 6A:23A-8.3. As a result of the procedures performed, a transaction error rate of 1.11% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

## **Financial Planning, Accounting and Reporting, (continued)**

### Classification of Expenditures, (continued)

**Finding 2017-002:** Expenditures in the following categories were not charged to the appropriate line item account in accordance with the Uniform Minimum Chart of Accounts for New Jersey Public Schools: Required Maintenance.

**Recommendation:** The District should reference the Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2017 Edition and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with N.J.A.C. 6A:23-2.3(f).

### Board Secretary's Records

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

**Finding 2017-003:** There were instances in which petty cash accounts were not closed out at year-end and unexpended cash was not deposited in the bank by June 30, 2017 in accordance with N.J.A.C. 6A:23A-16.8.

**Recommendation:** That all petty cash accounts are closed out at year-end and unexpended cash is deposited in the bank by June 30 in accordance with N.J.A.C. 6A:23A-16.8.

### Fixed Assets

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

### 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 contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects under Title I, Title II and Title III 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 K-3 and Schedule K-4 located in the CAFR.

## **Financial Planning, Accounting and Reporting, (continued)**

### **Other Special Federal and/or State Projects, (continued)**

Our audit of the federal and state funds on a test basis, indicated that obligation and expenditures were incurred during the fiscal year or project year 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.

### **T.P.A.F. Reimbursement**

Our audit procedures included a test of the biweekly reimbursements filed with the Department of Education for the 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 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.

### **Nonpublic State Aid**

Project completion reports were finalized and transmitted to the State Department of Education by the due date.

## **School Purchasing Programs**

### **Contracts and Agreements Requiring Advertisement for Bids**

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

## **School Purchasing Programs, (continued)**

### **Contracts and Agreements Requiring Advertisement for Bids, (continued)**

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

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

Effective July 1, 2015 and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$40,000 (with a Qualified Purchasing Agency) and \$29,000 (without a Qualified Purchasing Agent), respectively. The law regulating bidding for public school student transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,800.

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

The results of our examination indicated that no individual payments, contracts or agreements were made for the performance of any work, 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 contract or agreements for "Professional Services" per N.J.S.A. 18A:18A-5.

**Finding 2017-004:** The District did not receive political contribution disclosure forms for certain vendors prior to awarding contracts for professional services.

**Recommendation:** That the District maintain political contribution disclosures for all professional service contracts with anticipated values in excess of \$17,500 in accordance with Board Policy #6360 adopted November 2006.

## **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.



## **School Food Service, (continued)**

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/certified in a timely manner.

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 \$200,000. The operating results provision has been met.

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

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified. Inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used. No exceptions were noted.

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the non-profit status of the school food service.

**Finding 2017-005:** The District's Net Cash resources exceeded three months average expenditures.

**Recommendation:** That the District take steps to improve the nonprofit school food service program to reduce the Net Cash Resources.

U.S.D.A. Food Distribution Program commodities were received and a separate inventory was maintained on a first in first out basis. No exceptions were noted.

The Statement of Revenues, Expenses and Changes in Fund Net Position does separate program and non-program revenue and program and non-program cost of goods sold.

The 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.

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

## **Student Body Activities**

During our review of the Student Activity Funds, the following items were noted:

**Finding 2017-006:** The High School and Middle School Student Activity Accounts have uncategorized balances.

**Recommendation:** The District investigate and reallocate uncategorized balances and take more care to properly allocate receipts and disbursements in the future.

All cash receipts were promptly deposited in the bank and disbursements had the proper supporting documentation.

## **Application for State School Aid**

Our audit procedures included a test of information reported in the October 15, 2016 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 Enrollment.

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

The District's written procedures appear to be adequate for the recording of student enrollment data.

## **Pupil Transportation**

Our audit procedures included a test of on-roll status reported in the 2016-2017 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.

## **Status of Prior Year Audit Findings/Recommendation**

In accordance with Government Auditing Standards, our procedures included a review on all prior year recommendations including findings. Corrective action had been taken on all prior year findings, with the exception of the comments preceded with an "\*".

**Acknowledgment**

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

Respectfully submitted,

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Pompton Lakes, New Jersey

**SCHEDULE OF MEAL COUNT ACTIVITY**

**BOROUGH OF HACKENSACK SCHOOL DISTRICT  
FOOD SERVICE FUND  
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIMED - FEDERAL  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<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 (High Rate)	Paid	111,501	111,501	111,501		0.320	\$
National School Lunch (High Rate)	Reduced	40,375	40,375	40,375		2.780	
National School Lunch (High Rate)	Free	<u>367,487</u>	<u>367,487</u>	<u>367,487</u>		3.180	
	Total	<u>519,363</u>	<u>519,363</u>	<u>519,363</u>			
National School Lunch	HHFKA - PB Lunch Only	<u>519,363</u>	<u>519,363</u>	<u>519,363</u>		0.06	
School Breakfast (Severe Needs Rate)	Paid	155,031	155,031	155,031		0.29	
	Reduced	27,529	27,529	27,529		1.74	
	Free	<u>258,911</u>	<u>258,911</u>	<u>258,911</u>		2.04	
	Total	<u>441,471</u>	<u>441,471</u>	<u>441,471</u>			
After School Snacks	Paid	<u>80,509</u>	<u>80,509</u>	<u>80,509</u>		0.86	
	Total	<u>80,509</u>	<u>80,509</u>	<u>80,509</u>			
Total (Over)/Under Claim							\$ <u>          </u>

**SCHEDULE OF MEAL COUNT ACTIVITY**

**BOROUGH OF HACKENSACK SCHOOL DISTRICT  
FOOD SERVICE FUND  
NUMBER OF MEALS SERVED AND (OVER)/UNDERCLAIMED - STATE  
ENTERPRISE FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

<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>	
State Reimbursement - National School Lunch (High Rate)	Paid	111,501	111,501	111,501		0.040	\$	
State Reimbursement - National School Lunch (High Rate)	Reduced	40,375	40,375	40,375		0.055		
State Reimbursement - National School Lunch (High Rate)	Free	<u>367,487</u>	<u>367,487</u>	<u>367,487</u>	<u>                    </u>	0.055	<u>                    </u>	
	Total	<u>519,363</u>	<u>519,363</u>	<u>519,363</u>	<u>                    </u>		<u>                    </u>	
Total (Over)/Under Claim							\$	<u>                    </u>

**BOROUGH OF HACKENSACK  
BOARD OF EDUCATION**

Net cash resources did not exceed three months of expenditures  
Proprietary Funds - Food Service  
Year ended June 30, 2017

<u>Net Cash Resources:</u>		Food Service B - 4/5	
<b>CAFR</b>	*	<b>Current Assets</b>	
B-4		Cash & Cash Equiv.	\$ 698,344
B-4		Due from Other Gov'ts	160,402
B-4		Accounts Receivable	17,437
<b>CAFR</b>		<b>Current Liabilities</b>	
B-4		Less Accounts Payable	<u>(150,134)</u>
		<b>Net Cash Resources</b>	<b><u>\$ 726,049</u></b> (A)

Net Adj. Total Operating Expense:

B-5	Tot. Operating Exp.	2,400,207	
B-5	Less Depreciation	<u>(29,055)</u>	
	Adj. Tot. Oper. Exp.	<b><u>\$ 2,371,152</u></b>	(B)

Average Monthly Operating Expense:

	B / 10	<b><u>\$ 237,115</u></b>	(C)
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Three times monthly Average:

	3 X C	<b><u>\$ 711,346</u></b>	(D)
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TOTAL IN BOX A	\$ 726,049.00
LESS TOTAL IN BOX D	<u>\$ 711,345.60</u>
NET	<b><u>\$ 14,703.40</u></b>

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**

**BOROUGH OF HACKENSACK  
BOARD OF EDUCATION**

**Application for State School Aid Summary  
Enrollment as of October 15, 2016**

Year ended June 30, 2017

Enrollment category	2016-2017 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on A.S.S.A. On Roll		Workpapers		Errors		Selected from Workpapers		Registers Verified per		Errors per Registers		Reported on A.S.S.A. as Private Schools		Sample for Disabled	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Half Day Preschool 4yrs	89		89				89									
Full Day Preschool 4 yrs	65		65				65									
Full Day Kindergarten	313		313				313									
One	392		392				392									
Two	402		402				402									
Three	377		377				377									
Four	330		330				330									
Five	288		288				288									
Six	276		276				276									
Seven	278		278				278									
Eight	280		280				280									
Ninth	433		433		7		433									
Tenth	400		400		5		400									
Eleventh	362		362		3		362									
Twelfth	381		381				381									
Subtotal	4,666	15	4,666	15			4,666									
Special Ed. Elementary	518		518				130							17		14
Special Ed. Middle School	208		208				54							6		6
Special Ed. High School	239	9	239	9			70							22		19
	5,631	24	5,631	24			4,920							45		39

Percentage

**SCHEDULE OF AUDITED ENROLLMENTS**

**BOROUGH OF HACKENSACK  
BOARD OF EDUCATION**

Application for State School Aid Summary  
Enrollment as of October 15, 2016

Year ended June 30, 2017

Enrollment category	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	Errors	Reported on A.S.S.A. as LEP Low Income	Reported on Workpapers LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Test score and Register	Sample Errors
Full Day Kindergarten	206	206		53	53		55	55		28	28	
One	276	276		68	68		53	53		27	27	
Two	266	266		68	68		42	42		19	19	
Three	283	283		51	51		39	39		17	17	
Four	239	239		39	39		19	19		7	7	
Five	216	216		12	12		8	8		4	4	
Six	203	203		11	11		10	10		4	4	
Seven	208	208		12	12		12	12		7	7	
Eight	207	207		14	14		18	18		7	7	
Nine	238	238		16	16		30	30		14	14	
Ten	199	199		16	16		27	27		11	11	
Eleven	167	167		15	15		27	27		11	11	
Twelve	172	172		11	11		18	18		8	8	
Special Ed. Elementary	380	380		68	68		16	16		11	11	
Special Ed. Middle School	162	162		14	14		4	4		4	4	
Special Ed. High School	150	150		11	11		3	3		1	1	
	<u>3572</u>	<u>3572</u>		<u>479</u>	<u>479</u>		<u>381</u>	<u>381</u>		<u>180</u>	<u>180</u>	
Percentage	3572	3572		479	479		381	381		180	180	

Category	Transportation			Reported Recalculated
	Reported on DRTRS by DOE/county	Reported on DRTRS by District	Errors	
Regular - Public Schools, col. 1	235	235		3.90
Regular - Special Education, col. 4	83	83		3.90
Transported Non Public	234	234		4.40
Special needs, col. 6	552	552		
Totals				

Percentage



**SCHEDULE OF AUDITED ENROLLMENTS**

**BOROUGH OF HACKENSACK  
BOARD OF EDUCATION**

**Application for State School Aid Summary  
Enrollment as of October 15, 2016**

**Year ended June 30, 2017**

Enrollment category	Resident LEP NOT Low Income			Sample for Verification		
	Reported on A.S.S.A as NOT Low Income	Reported on Workpapers NOT Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Full Day Kindergarten	9	9		5	5	
One	11	11		7	7	
Two	6	6		3	3	
Three	6	6		5	5	
Four	3	3		2	2	
Five	3	3		2	2	
Six						
Seven	1	1		1	1	
Eight						
Nine	2	2		3	3	
Ten	5	5		5	5	
Eleven						
Twelve	1	1		2	2	
Special Ed. Elementary	4	4		3	3	
Special Ed. Middle School	1	1		1	1	
Special Ed. High School	1	1		1	1	
	<u>53</u>	<u>53</u>		<u>40</u>	<u>40</u>	
	<u>53</u>	<u>53</u>		<u>40</u>	<u>40</u>	

**Percentage**

**HACKENSACK BOARD OF EDUCATION**  
**EXCESS SURPLUS CALCULATION**

**REGULAR DISTRICT**

**SECTION 1**

**A. 2% Calculation of Excess Surplus**

2016-17 Total General Fund Expenditures per the CAFR, Ex. C-1	\$ <u>112,585,434</u>	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	\$ _____	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$ _____	(B1b)
Transfer from General Fund to SRF for PreK-Regular	\$ <u>377,450</u>	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$ _____	(B1d)
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ <u>12,463,706</u>	(B2a)
Assets Acquired Under Capital Leases	\$ <u>924,000</u>	(B2b)
Adjusted 16-17 General Fund Expenditures [(B)+(B1's)-(B2's)]	\$ <u>99,575,178</u>	(B3)
2% of Adjusted 2016-17 General Fund Expenditures [(B3) times .02]	\$ <u>1,991,504</u>	(B4)
Enter Greater of (B4) or \$250,000	\$ <u>1,991,504</u>	(B5)
Increased by: Allowable Adjustment *	\$ <u>-</u>	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]		\$ <u><u>1,991,504</u></u> (M)

**SECTION 2**

Total General Fund - Fund Balances @ 6-30-17 (Per CAFR Budgetary Comparison Schedule C-1))	\$ <u>14,649,452</u>	(C)
Decreased by:		
Year-end Encumbrances	\$ <u>1,598,917</u>	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$ _____	(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ <u>2,025,321</u>	(C3)
Other Restricted Fund Balances****	\$ <u>7,081,048</u>	(C4)
Assigned Fund Balance - Unreserved -- Designated for Subsequent Year's Expenditures	\$ <u>38,572</u>	(C5)
Additional Assigned Fund Balance - Unreserved- Designated for Subsequent Year's Expenditures July 1, 2017 - August 1, 2017	\$ _____	(C6)*****
Total Unassigned Fund Balance [( C)-(C1)-(C2)-(C3)-(C4)-(C5)-(C6)]		\$ <u><u>3,905,594</u></u> (U1)

**SECTION 3**

Restricted Fund Balance - Excess Surplus\*\*\* [(U1)-(M)] IF NEGATIVE ENTER -0- \$ 1,914,090 (E)

**Recapitulation of Excess Surplus as of June 30, 2016**

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	\$ <u>2,025,321</u> (C3)
Reserved Excess Surplus ***[(E)]	\$ <u>1,914,090</u> (E)
Total [(C3) + (E)]	\$ <u>3,939,411</u> (D)

- \* 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	\$ _____ (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)]	\$ _____ - (K)

\*\* This amount represents the June 30, 2017 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

\*\*\* Amounts must agree to the June 30, 2017 CAFR and the sum of the two lines must agree to Audit Summary Worksheet Line 90030.

\*\*\*\* Amount for Other Reserved 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 Finance prior to September 30.

\*\*\*\*\* Increase in Assigned Fund Balance - Unreserved-Designated for Subsequent Year's expenditures July 1, 2017 to August 1, 2017 resulting from decrease in state aid after adoption of 2017-18 district budget.

**Detail of Other Reserved Fund Balance**

Statutory restrictions:		
Approved unspent separate proposal	\$	<u>                    </u>
Sale/Lease-back reserve	\$	<u>                    </u>
Capital Reserve	\$	<u>6,073,678</u>
Maintenance Reserve	\$	<u>1,005,060</u>
Emergency Reserve	\$	<u>2,310</u>
Tuition Reserve	\$	<u>                    </u>
School Bus Advertising 50% Fuel Offset Reserve - current year	\$	<u>                    </u>
School Bus Advertising 50% Fuel Offset Reserve - prior year	\$	<u>                    </u>
Impact Aid General Fund Reserve (Sections 8002 and 8003)	\$	<u>                    </u>
Impact Aid Capital Fund Reserve (Sections 8007 and 8008)	\$	<u>                    </u>
Other state/government mandated reserve	\$	<u>                    </u>
[Other Restricted Fund Balance not noted above]****	\$	<u>                    </u>
 Total Other Restricted Fund Balance	\$	<u>7,081,048</u> (C4)

**CITY OF HACKENSACK  
BOARD OF EDUCATION**

**AUDIT RECOMMENDATIONS SUMMARY**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2017**

**1. Administrative Practices and Procedures**

None

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

**Finding 2017-001:** There were instances in which amounts were improperly recorded as encumbrances/accounts payable as of June 30, 2017.

**Recommendation:** Purchase orders should be reviewed for proper classification at June 30 as accounts payable or reserve for encumbrances based upon whether the goods have been received or the services rendered.

**Finding 2017-002:** Expenditures in the following categories were not charged to the appropriate line item account in accordance with the Uniform Minimum Chart of Accounts for New Jersey Public Schools: Required Maintenance.

**Recommendation:** The District should reference the Uniform Minimum Chart of Accounts for New Jersey Public Schools, 2017 Edition and other available reference materials, such as the Budget Guidelines for the proper classifications required to be in compliance with N.J.A.C. 6A:23-2.3(f).

**Finding 2017-003:** There were instances in which petty cash accounts were not closed out at year-end and unexpended cash was not deposited in the bank by June 30, 2017 in accordance with N.J.A.C. 6A:23A-16.8.

**Recommendation:** That all petty cash accounts are closed out at year-end and unexpended cash is deposited in the bank by June 30 in accordance with N.J.A.C. 6A:23A-16.8.

**3. School Purchasing Programs**

**Finding 2017-004:** The District did not receive political contribution disclosure forms for certain vendors prior to awarding contracts for professional services.

**Recommendation:** That the District maintain political contribution disclosures for all professional service contracts with anticipated values in excess of \$17,500 in accordance with Board Policy #6360 adopted November 2006.

**CITY OF HACKENSACK  
BOARD OF EDUCATION**

**AUDIT RECOMMENDATIONS SUMMARY  
(CONTINUED)**

**4. School Food Service**

**Finding 2017-005:** The District's Net Cash resources exceeded three months average expenditures.

**Recommendation:** That the District take steps to improve the nonprofit school food service program to reduce the Net Cash Resources.

**5. Student Body Activities**

**Finding 2017-006:** The High School and Middle School Student Activity Accounts have uncategorized balances.

**Recommendation:** The District investigate and reallocate uncategorized balances and take more care to properly allocate receipts and disbursements in the future.

**6. Application for State School Aid**

None

**7. Pupil Transportation**

None

**8. Facilities and Capital Assets**

None

**9. Miscellaneous**

None

**10. Status of Prior Year Audit Findings/Recommendations**

A review was performed on the prior year recommendations and corrective action was taken on all prior year findings.