

**AUDITORS MANAGEMENT REPORT
ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
KINNELON SCHOOL DISTRICT
COUNTY OF MORRIS, NEW JERSEY
JUNE 30, 2024**

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REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Kinnelon School District
County of Morris, 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 Kinnelon School District in the County of Morris for the year ended June 30, 2024, and have issued our report thereon dated October 24, 2024.

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

Steven D. Wielkatz

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October 24, 2024



ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING

GENERAL COMMENTS

Scope of Audit

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

Administrative Practices and Procedures

Insurance

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20 of the District's ACFR.

Officials Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Kerry A. Keane (7/1/23-1/1/24)	Board Secretary/School Business Administrator	\$250,000
Barbara Francisco (1/2/24-6/30/24)	Interim Board Secretary/ School Business Administrator	\$250,000
Jennifer L. Stillman	Treasurer	\$250,000

Finding 2024-001: The amount of the treasurer's surety bond does not provide for adequate coverage as required by N.J.S.A. 18A:17-32.

Recommendation: The amount of the treasurer's surety bond be increased to provide adequate cover as required by N.J.S.A. 18A:17-32.

P.L. 2020, c.44

Our audit procedures included an inquiry and subsequent review of health benefit data required per N.J.S.A. 18A:16-13.3 (Chapter 44) submitted for the year on audit. The Chapter 44 summary report was reviewed for reasonableness and timeliness.

The data submitted did include all health benefit plans offered by school district.

The school district data certification was completed by the chief school administrator. The school district Chapter 44 data was submitted timely.

Financial Planning, Accounting and Reporting

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 the proper adjustments to the billings to sending districts for the increase in per pupil costs in accordance with N.J.A.C. 6A:23A-3.1(f)3.

Examination of Claims

An examination of claims paid during the period under review indicated the following discrepancies with respect to signatures, certification or supporting documentation.

Finding 2024-002: There were instances in which vendor certifications were not obtained on purchase orders.

Recommendation: Vendor certifications should be obtained for all purchase orders.

Finding 2024-003: There were instances in which goods and/or services were ordered prior to encumbrance.

Recommendation: More care be taken to ensure encumbrances are established prior to goods and/or services being ordered in accordance with Technical Accounting Directive #1.

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, the Board Secretary/School Business Administrator and the Chief School Administrator.

Salary withholdings were promptly remitted to the proper 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.

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.

Financial Planning, Accounting and Reporting, (continued)

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.

Finding 2024-004: Amounts transferred from the Payroll Agency Account into the Flexible Spending Account did not agree to the Posted Wage, Tax and Deduction Analysis.

Recommendation: The excess funds which were transferred from the Payroll Agency Account into the Flexible Spending accounts should be remitted back to the Payroll Agency Account.

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

A review of outstanding issued purchase orders was made as of June 30, for goods not yet received or services not yet rendered and it was determined that no blanket purchase orders were included in the balance of the reserves for encumbrances. Also, unpaid purchase orders included in the balance of accounts payable were reviewed for propriety and to determine that goods were received and services were rendered, as of June 30.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6A:23A-16.2(f) as part of our test of transactions of randomly selected expenditure items. We also reviewed the coding of all expenditures included in our compliance and single audit testing procedures. In addition to randomly selecting a test sample, our sample selection specifically targeted administrative coding classifications to determine overall compliance with N.J.A.C. 6A:23A-8.3. As a result of the procedures performed, a transaction error rate of 0% was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

Our review of the financial and accounting records maintained by the board secretary disclosed the following items.

Finding 2024-005: Amounts recorded in the Special Revenue Fund subsidiary ledger do not agree to award amounts and/or approved carryover amounts.

Recommendation: Amounts recorded in the subsidiary ledger be compared to award letters and/or carryover amount authorizations to ensure proper amounts are available for expenditures.

Financial Planning, Accounting and Reporting, (continued)

Board Secretary's Records, (continued)

Finding 2024-006: The following accounts do not have general ledgers maintained in the operating system: Petty Cash Account, Enrichment Account, Unemployment Account, Flex Spending Account, Payroll Account, Payroll Agency Account, Student Activity Account, Athletic Account, Sports Camp Account, Scholarship Accounts.

Recommendation: All accounts should be maintained within the operating system in the proper funds.

Finding 2024-007: The district did not prepare a report of current month and year-to-date transfers between advertised general fund appropriation accounts as defined in N.J.A.C. 6A:23A-13.3 in a format prescribed by the Commissioner or in a format developed locally and approved by the county superintendent.

Recommendation: The district should prepare a report of current month and year-to-date transfers between advertised general fund appropriation accounts in accordance with N.J.A.C. 6A:23A-13.3(i).

Finding 2024-008: There are long outstanding checks being carried as reconciling items in the Student Activities Account, Athletic Account, Cafeteria Account, Payroll Account and General Fund Account.

Recommendation: Stale dated reconciling items should be reviewed and cancelled, as appropriate.

Fixed Assets

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

Treasurer's Records

The Treasurer's records were in agreement with the records of the Board Secretary.

Finding 2024-009: The Treasurer's records were not in agreement with the records of the Board Secretary. Also, the Treasurer's cash balance for the general operating account was not in agreement with the reconciled cash balance as determined during the audit.

Recommendation: The Treasurer should reconcile his cash records with the reconciled bank statements and the cash records of the Board Secretary.

Finding 2024-010: The Treasurer did not perform cash reconciliations for the payroll account or payroll agency account in accordance with N.J.S.A. 18A17-9.

Recommendation: Each month, the Treasurer should determine cash balances by performing cash reconciliations for the payroll account and the payroll agency account.

Financial Planning, Accounting and Reporting, (continued)

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 contained within the Special Revenue Section of the ACFR. This section of the ACFR documents the financial position pertaining to the projects under Title I, Title I SIA, 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 questionable 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 ACFR.

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 the 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 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.

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.

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.

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, 2020 and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$44,000 (with a Qualified Purchasing Agent) and \$32,000 (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 \$22,400.

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 an individual payment, contract, or agreement was made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 18A:18A-4, as amended.

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

Finding 2024-011: There were three instances in which quotes were not obtained for purchases which exceeded 15% of the bid threshold.

Recommendation: The district should obtain quotes for items which exceed 15% of the bid threshold, in accordance with N.J.S.A. 18A:18A-3. The quotes may be in writing or taken verbally if a record is kept by the purchasing agent.

School Food Service

School Food Authorities (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.

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.

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. Exceptions were not 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 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. We also inquired if the FSMC received a loan in accordance with the Payroll Protection Plan and whether the funds were used to pay for costs applicable to the Food Service Programs. We also inquired if the PPP loan was subsequently forgiven and the FSMC refunded or credited the applicable amounts to the SFA.

The financial transactions and statistical records of the School Food Service Fund were reviewed. The financial accounts and meal count records 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. All vendor discounts, rebates and credits from the FSMC were tracked and credited to the Food Service Account and reconciled to supporting documentation at least annually.

Expenditures were 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 non-profit status of the school food service.

School Food Service, (continued)

The SFA recorded and maintained separate supporting documentation for additional costs (food, supplies, transportation, etc.) applicable to the implementation of the COVID-19 meal service under SSO or SFSP program requirements.

Finding 2024-012: The District's Net Cash Resources exceeded three month average expenditures.

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

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

The number of meals claimed for reimbursement were 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 times the number of operating days, on a school by school basis. The free and reduced price meal was reviewed for uniform administration throughout the school system. The required verification procedures for free and reduced price applications was completed and available for review.

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

The school district maintains the detailed revenue and expenditure information necessary in order to execute the U.S.D.A. 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 ACFR.

Student Body Activities

During our review of the student activity funds, the following items were noted.

Finding 2024-013: Not all cash disbursements contained two signatures as authorized and approved by Board of Education resolution.

Recommendation: All disbursements from Student Activity Accounts should be made in accordance with District Policy 6660.

Application for State School Aid

Our audit procedures included a test of information reported in the October 13, 2023 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, low-income, and bilingual. We also performed a review of the district procedures related to its completion. The information on the A.S.S.A. was compared to the district workpapers without exception. The information that was included on the workpapers was verified without exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The District maintained workpapers on the prescribed state forms or their 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 2023-2024 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report. 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. The following exceptions were noted in our review of transportation related purchases of goods and services.

Finding 2024-014: Count Superintendent of Schools approval of transportation contracts could not be verified.

Recommendation: County Superintendent of Schools approval of transportation contracts must be received in accordance with N.J.A.C. 6A:27-9.

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 Audit Findings

In accordance with Government Auditing Standards, our procedures included a review on all prior year recommendations and corrective action was taken on all.

There were no Office of Fiscal Accountability and Compliance audit reports issued during the fiscal year ended June 30, 2024.

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,

Steven D. Wielkatz

Steven D. Wielkatz, C.P.A.
Licensed Public School Accountant
No. 816

Wielkatz & Company, LLC

WIELKOTZ & COMPANY, LLC
Certified Public Accountants
Pompton Lakes, New Jersey

SCHEDULE OF AUDITED ENROLLMENTS

KINNELON SCHOOL DISTRICT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 13, 2023

Year Ended June 30, 2024

Enrollment Category	2024-2025 Application for State School Aid						Sample for Verification						Private Schools for Disabled			
	Reported on ASSA			Reported on			Sample			Verified			Errors per		Reported on	
	Full	Shared	On Roll	Full	Shared	On Roll	Full	Shared	Workpapers	Full	Shared	On Roll	Full	Shared	Private Schools	Sample for Verification
Half Day Preschool	8		8	8		8	8					8				
Full Day Preschool	8		8	8		8	8					8				
Half Day Kindergarten																
Full Day Kindergarten	95		95	95		95	95					95				
One	101		101	101		101	101					101				
Two	95		95	95		95	95					95				
Three	93		93	93		93	93					93				
Four	98		98	98		98	98					98				
Five	104		104	104		104	104					104				
Six	101		101	101		101	101					101				
Seven	108		108	108		108	108					108				
Eight	104		104	104		104	104					104				
Nine	98		98	98		98	98					98				
Ten	85		85	85		85	85					85				
Eleven	105	7	105	7		105	105	7		7		105				
Twelve	107	2	107	2		107	107	2		2		107				
Subtotal	1,310	9	1,310	9		1,310	1,310	9		9		1,310				
Special Ed. Elementary	137		137				70			69		1			6	5
Special Ed. Middle	65		65				30			30		3			3	2
Special Ed. High School	113	11	113	11			51			38		13			10	9
Subtotal	315	11	315	11			151			137		14			19	16
Totals	1,625	20	1,625	20			1,461			1,447		14			19	16
Percentage Error												0.96%				

SCHEDULE OF AUDITED ENROLLMENTS

**KINNELON
BOARD OF EDUCATION**

**Application for State School Aid Summary
Enrollment as of October 15, 2023**

Year ended June 30, 2024

Enrollment category	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
Half Day Preschool												
Full Day Preschool												
Half Day Kindergarten												
Full Day Kindergarten	1	1		1	1							
One	1	1		1	1		1	1		1	1	
Two	2	2		1	1							
Three	2	2		1	1							
Four												
Five	2	2		2	2							
Six	1	1		1	1							
Seven	3	3		3	3							
Eight	2	2		1	1							
Nine	2	2		1	1							
Ten	1	1		1	1							
Eleven	4.5	4.5		3	3							
Twelve	3	3		2	2							
Special Ed. Elementary	8	8		8	8							
Special Ed. Middle School	2	2		2	2							
Special Ed. High School	9	9		9	9							
	43.5	44		37	37		1	1		1	1	

Percentage

Category	Transportation					Re-calc.
	Reported on DRTS by DOE/county	Reported on DRTS by District	Errors	Tested	Verified	Errors
Regular - Public Schools, col. 1	962.0	962.0		254	254	
Transported- Non-Public	1.0	1.0		1	1	
Regular - Special Education, col. 4	196.5	196.5		122	122	
Special needs, col. 6	66.5	66.5		51	51	
Totals	1,226.0	1,226.0		428	428	

Percentage

Avg. Mileage - Regular Excluding Grade PK 4.6
Avg. Mileage - Regular Including Grade PK 4.6
Avg. Mileage - Special Ed with Special Needs 7.3

**KINNELON
BOARD OF EDUCATION**

SCHEDULE OF AUDITED ENROLLMENTS

Application for State School Aid Summary
Enrollment as of October 15, 2023

Year ended June 30, 2024

Enrollment category	Resident LEP Not Low Income			Sample for Verification		
	Reported on A.S.A as LEP Not low Income	Reported on Workpapers LEP Not low Income	Errors	Sample Selected from Workpapers	Verified to Test score and Register	Sample Errors
Half Day Preschool						
Full Day Preschool						
Half Day Kindergarten	3	3		3	3	
Full Day Kindergarten						
One	6	6		5	5	
Two	2	2		2	2	
Three						
Four						
Five						
Six						
Seven						
Eight						
Nine	2	2		1	1	
Ten	1	1		1	1	
Eleven	1	1		1	1	
Twelve	1	1		1	1	
Special Ed. Elementary	1	1		1	1	
Special Ed. Middle School						
Special Ed. High School						
	17	17		15	15	
	17	17		15	15	
Percentage						

**BOROUGH OF KINNELON
BOARD OF EDUCATION**

**Net cash resources exceed three months of expenditures
Proprietary Funds - Food Service
Year ended June 30, 2024**

<u>Net Cash Resources:</u>		Food Service B - 4/5	
ACFR	*	Current Assets	
B-4		Cash & Cash Equiv.	\$ 303,700
B-4		Due from Other Gov'ts	2,815
B-4		Due from Other Funds	18,268
ACFR		Current Liabilities	
B-4		Less Deferred Revenue	(38,743)
		Net Cash Resources	\$ 286,040 (A)

Net Adj. Total Operating Expense:

B-5	Tot. Operating Exp.	675,693	
B-5	Less Depreciation	(3,992)	
	Adj. Tot. Oper. Exp.	\$ 671,701	(B)

Average Monthly Operating Expense:

B / 10	\$ 67,170	(C)
--------	------------------	------------

Three times monthly Average:

3 X C	\$ 201,510	(D)
-------	-------------------	------------

TOTAL IN BOX A	\$ 286,040.00
LESS TOTAL IN BOX D	\$ 201,510.30
NET	\$ 84,529.70

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

**KINNELON BOARD OF EDUCATION
EXCESS SURPLUS CALCULATION**

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2023-24 Total General Fund Expenditures per the ACFR, Ex. C-1	\$ 54,835,057	(B)
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	\$ 1,860,000	(B1a)
Transfer from Capital Reserve to Capital Projects Fund	\$	(B1b)
Transfer from General Fund to SRF for PreK-Regular	\$	(B1c)
Transfer from General Fund to SRF for PreK-Inclusion	\$	(B1d)
Decreased by:		
On-Behalf TPAF Pension & Social Security	\$ 10,306,710	(B2a)
Assets Acquired Under Capital Leases	\$ 333,624	(B2b)
Adjusted 23-24 General Fund Expenditures [(B)+(B1's)-(B2's)]	\$ 46,054,723	(B3)
2% of Adjusted 2023-24 General Fund Expenditures [(B3) times .02]	\$ 921,094	(B4)
Enter Greater of (B4) or \$250,000	\$ 921,094	(B5)
Increased by: Allowable Adjustment *	\$ 427,706	(K)
Maximum Unreserved/Undesignated Fund Balance [(B5)+(K)]	\$ 1,348,800	(M)

SECTION 2

Total General Fund - Fund Balances @ 6-30-24 (Per ACFR Budgetary Comparison Schedule C-1))	\$ 5,716,272	(C)
Decreased by:		
Year-end Encumbrances	\$ 946,170	(C1)
Legally Restricted - Designated for Subsequent Year's Expenditures	\$	(C2)
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures **	\$	(C3)
Other Restricted Fund Balances****	\$ 2,686,172	(C4)
Assigned Fund Balance - Unreserved -- Designated for Subsequent Year's Expenditures	\$ 219,226	(C5)
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]	\$ 1,864,704	(U1)

SECTION 3

Restricted Fund Balance - Excess Surplus*** [(U1)-(M)] IF NEGATIVE ENTER -0- \$ 515,904 (E)

Recapitulation of Excess Surplus as of June 30, 2024

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures **	\$	<u>-</u>	(C3)
Reserved Excess Surplus ***[(E)]	\$	<u>515,904</u>	(E)
Total [(C3) + (E)]	\$	<u>515,904</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, 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
 - (J5) Supplemental Stabilization Aid & Maintenance of Equity 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	\$	<u> </u>	(H)
Sale & Lease-back	\$	<u> </u>	(I)
Extraordinary Aid	\$	<u>389,031</u>	(J1)
Additional Nonpublic School Transportation Aid	\$	<u>38,675</u>	(J2)
Current Year School Bus Advertising Revenue Recognized	\$	<u> </u>	(J3)
Family Crisis Transportation Aid	\$	<u> </u>	(J4)
Supplemental Stabilization Aid & Maintenance of Equity Aid	\$	<u> </u>	(J5)
Total Adjustments [(H)+(I)+(J1)+(J2)+(J3)+(J4)+(J5)]	\$	<u>427,706</u>	(K)

** This amount represents the June 30, 2024 Excess Surplus (C3 above) and must be included in the Audit Summary Worksheet Line 90031.

*** Amounts must agree to the June 30, 2024 ACFR and 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.

Detail of Other Reserved Fund Balance

Statutory restrictions:	
Approved unspent separate proposal	\$ _____
Sale/Lease-back reserve	\$ _____
Capital Reserve	\$ <u>2,442,711</u>
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 Capital Fund Reserve (Sections 8007 and 8008)	\$ _____
Other state/government mandated reserve	\$ _____
Reserve for Unemployment Fund	\$ <u>243,461</u>
[Other Restricted Fund Balance not noted above]****	\$ _____
 Total Other Restricted Fund Balance	 \$ <u>2,686,172</u> (C4)

**KINNELON BOARD OF EDUCATION
AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

Recommendations:

1. Administrative Practices and Reporting

The amount of the treasurer's surety bond be increased to provide adequate coverage as required by N.J.S.A. 18A:17-32.

2. Financial Planning, Accounting and Reporting

Vendor certifications should be obtained for all purchase orders.

More care be taken to ensure encumbrances are established prior to goods and/or services being ordered in accordance with Technical Accounting Directive #1.

The excess funds which were transferred from the Payroll Agency Account into the Flexible Spending accounts should be remitted back to the Payroll Agency Account.

Amounts recorded in the subsidiary ledger be compared to award letters and/or carryover amount authorizations to ensure proper amounts are available for expenditures.

All accounts should be maintained within the operating system in the proper funds.

The district should prepare a report of current month and year-to-date transfers between advertised general fund appropriation accounts in accordance with N.J.A.C. 6A:23A-13.3(i).

Stale dated reconciling items should be reviewed and cancelled, as appropriate.

The Treasurer should reconcile his cash records with the reconciled bank statements and the cash records of the Board Secretary.

Each month, the Treasurer should determine cash balances by performing cash reconciliations for the payroll account and the payroll agency account.

3. School Purchasing Programs

The district should obtain quotes for items which exceed 15% of the bid threshold, in accordance with N.J.S.A. 18A:18A-3. The quotes may be in writing or taken verbally if a record is kept by the purchasing agent.

4. School Food Service

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

5. Student Body Activities

All disbursements from Student Activity Accounts should be made in accordance with District Policy 6660.

**KINNELON BOARD OF EDUCATION
AUDIT RECOMMENDATIONS SUMMARY
FOR THE FISCAL YEAR ENDED JUNE 30, 2024**

Recommendations (continued):

6. Application for State School Aid

None

7. Pupil Transportation

County Superintendent of Schools approval of transportation contracts must be received in accordance with N.J.A.C. 6A:27-9.

None

8. Facilities and Capital Assets

None

9. Miscellaneous

None

10. Status of Prior Year Audit Findings/Recommendations

There were no prior year findings/recommendations