

KINNELON BOROUGH SCHOOL DISTRICT
COUNTY OF MORRIS
AUDITORS' MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015

KINNELON BOROUGH SCHOOL DISTRICT
COUNTY OF MORRIS
AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE
FINDINGS - FINANCIAL,
COMPLIANCE AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015
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November 19, 2015

The Honorable President and Members
of the Board of Education
Kinnelon Borough School District
County of Morris, NJ

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 financial statements of the Board of Education of the Kinnelon Borough School District in the County of Morris for the fiscal year ended June 30, 2015, and have issued our report thereon dated November 19, 2015.

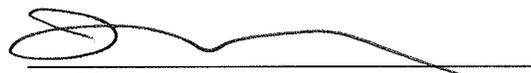
As part of our audit, we performed procedures required by the New Jersey Department of Education, and the findings and results thereof are disclosed on the following pages, as listed in the accompanying table of contents. This letter does not affect our report dated November 19, 2015 on the financial statements of the District.

We will review the status of the comments during our next audit engagement. We have already discussed these comments and suggestions with various management personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended for the information of the Kinnelon Borough 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.



NISIVOCCIA LLP



David H. Evans
Licensed Public School Accountant #740
Certified Public Accountant

KINNELON BOROUGH SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015

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, the records of the various funds under the auspices of the Board of Education.

Administrative Practices and Procedures

Insurance

Multi-peril insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the District's CAFR.

Officials in Office and Surety Bonds

<u>Name</u>	<u>Position</u>	<u>Coverage</u>
Jennifer L. Stillman	Treasurer of School Monies	\$ 250,000
Kerry A. Keane	Board Secretary/School Business Administrator	250,000

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were different than estimated costs. The Board made a proper adjustment to the billings to sending Districts for the change in per pupil costs in accordance with N.J.A.C. 6A:23A-3.1(f)3.

Financial Planning, Accounting and Reporting

Examination of Claims

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

Payroll Account and Position Control Roster

The net salaries of 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.

Salary withholdings were promptly remitted to the proper agencies, including health benefits withholding due to the general fund.

The required certification (E-CERT1) of compliance with requirements for income tax on compensation of administrators (superintendent, assistant superintendent, and business administrator) to the NJ Department of Treasury was filed in a timely manner.

KINNELON BOROUGH SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Reserve for Encumbrances and Accounts Payable

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

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-8.2. 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

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Board Secretary's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted below.

Finding:

During the course of our audit, we noted that on the Food Service Fund bank reconciliation, there were reconciling items which were being carried for a time period of greater than one year. At the June 25, 2015 board meeting a resolution was passed to void outstanding checks in various accounts which were being carried for a period of time of greater than one year. The food service checks were not included in this, however the District is being proactive in voiding older checks and the food service fund old checks will be voided in fiscal 2016, therefore no formal recommendation is deemed necessary.

Finding:

It was found that there were over-expenditures in the Social Security Contributions budget appropriation line item in the General Fund. This over-expenditure resulted from amounts that were paid, but were not posted to the Social Security Contributions line by the client resulting in an over-expenditure.

Recommendation:

It is recommended that the District monitor budget appropriation lines, and make transfers of budget appropriations in a timely manner in order to avoid over-expenditures.

Management Response:

The District will take greater care in monitoring budget appropriation line items, and make transfers of budget appropriations as necessary in a timely manner going forward.

KINNELON BOROUGH SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Treasurer's Records

In planning and performing our audit of the financial statements of the Board, we considered the condition of the Treasurer's records for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records. Based on these procedures, we have no comments except as noted herein.

No Child Left Behind (N.C.L.B.)

The N.C.L.B. financial exhibits are contained within the Special Revenue Section of the District's CAFR. This section of the CAFR documents the financial position pertaining to projects under Title II of the No Child Left Behind Act.

The study of compliance for the N.C.L.B. did not indicate any area of noncompliance.

Other Special Federal and/or State Projects

The District's Special Projects were approved as listed on Schedule A and Schedule B located in the CAFR.

Our audit of the federal and state funds on a test basis indicated that obligations and expenditures were incurred during the fiscal year or project period for which the project was approved.

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

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 Teachers' Pension and Annuity Fund.

The T.P.A.F. Reimbursement to the State for Federal Salary Expenditures was remitted to the State of New Jersey prior to the required deadline of October 1, 2015. The reimbursement form was reviewed and no exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A. 18A:18A-3 states:

- a. "When the cost or price of any contract awarded by the purchasing agent in the aggregate, does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by resolution of the Board of Education without public advertising for bids and bidding therefore, except that the Board of Education may adopt a resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations. If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L.1971, c. 198 the Board of Education may establish that the bid threshold may be up to \$25,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

KINNELON BOROUGH SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015
 (Continued)

School Purchasing Programs (Cont'd)

Contracts and Agreements Requiring Advertisement for Bids (Cont'd)

b. Commencing in the fifth year after the year in which P.L.1999, c. 440 takes effect and every five years thereafter, the Governor, in consultation with the Department of Treasury, shall adjust the threshold amount and the higher threshold amount which the Board of Education is permitted to establish as set forth in subsection a. of this section or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in N.J.S.A. 18A:18A-2, and shall round the adjustment to the nearest \$1,000. The Governor shall notify all local school Districts of the adjustment no later than June 1 of every fifth year. The adjustment shall become effective on July 1 of the year in which it is made"

N.J.S.A. 18A:18A-4 states, "Every contract for the provision or performance of any goods or services the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the Board of Education to the lowest responsible bidder after public advertising for bids and bidding therefore, except as is provided otherwise in this chapter or specifically by any other law"

Effective July 1, 2010 and thereafter the bid thresholds in accordance with N.J.S.A. 18A:18A-2 and 18A:18A-3(a) are \$36,000 (with a Qualified Purchasing Agent) and \$26,000 (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 \$18,300.

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 Attorney's opinion should be sought before a commitment is made.

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

The results of our examination indicated that no individual payments, contracts, or agreements were 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.

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

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

KINNELON BOROUGH SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

School Food Service

The financial transactions and statistical records of the School Food Service Fund were reviewed. The financial accounts and eligibility applications were reviewed on a test basis. Food Service accounting records maintained by the District's central administration office were reconciled with the records maintained by the food service contractor.

The number of meals claimed for reimbursement was compared to sales and meal count records. As part of the claims review process the Edit Check Worksheet was completed. Reimbursement claims were submitted/certified in a timely manner.

Applications for free and reduced price meals were reviewed for completeness and accuracy. The number of free and reduced price meals claimed as served did not exceed the number of valid applications on file, multiplied by the number of operating days, on a school by school basis. The free and reduced price meal policy is uniformly administered throughout the school system. The required verification procedures for free and reduced price applications were completed and available for review.

The District contracts with a food service management company to operate its food service program, and program deposits and expenditures are made in accordance with N.J.S.A 18A:17-34 and 19-1 through 19-4.1.

The Food service management contract includes an operating results provision which guarantees that the food service program will break even. The operating results provision has been met.

The cash disbursements records reflected expenditures for program related goods and services. The appropriate revenue and expenditure records were maintained in order to substantiate the nonprofit status of the School Food Service Fund. Net cash resources did not exceed three months average expenditures.

Cash receipts and bank records were reviewed for timely deposit.

Expenditures were separately recorded as food, labor and other costs. Vendor invoices were reviewed and costs verified on a test basis. Inventory records on food supply items were currently maintained and properly applied in determining the cost of food and supplies used.

Time sheets and payroll records provided to the District from the Food Service contractor were reviewed on a test basis.

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

KINNELON BOROUGH SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

School Food Service (Cont'd)

Food Distribution Program commodities were received and a separate inventory was maintained on a first-in, first-out basis.

The District has a Type 2 Service Organization Controls Report service audit of the food service management company on file as required by state requirements.

Student Body Activities

In planning and performing our audit of the financial statements of the Board, we considered the condition of the records of the Student Activities Fund for the purpose of expressing our opinion on the financial statements and not to provide specific assurance on the condition of the records.

Finding:

During our testing of transactions we noted that that for the athletics account, there were no vouchers where are generated for payment of sports officials.

Recommendation:

It is recommended that there is a formal voucher process instituted for payment of officials of sporting events.

Management's Response:

The District will implement a voucher process for payment of officials.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2014 Application for State School Aid (A.S.S.A.) for on-roll, private schools for the handicapped, bilingual education and low income students. We also performed a review of the District procedures related to its completion. The information on the A.S.S.A. was compared to the District workpapers with a few exceptions. 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 equivalent.

The District has adequate written procedures for the recording of student enrollment data.

KINNELON BOROUGH SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2014-2015 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report without exceptions. The results of our procedures are presented in the Schedule of Audited Enrollments.

Our procedures also included a review of transportation related contracts and purchases. Based on our review, the District complied with proper bidding procedures and award of contracts. No exceptions were noted in our review of transportation related purchases of goods and services.

Facilities and Capital Assets

The District does not have any active Schools Development Authority (“SDA”) grant agreements.

Travel Expense and Reimbursement Policy

Travel regulations require each District to adopt a formal policy and procedure pertaining to travel and expense reimbursement for its employees and board members. The regulations require the District to establish maximum travel for the year and to account separately that the maximum is not exceeded. The regulations also require that all travel be approved prior by the Board of Education and that the approval must be itemized by event, event total cost, and individuals attending. During the course of our testing, we have noted that the travel expenses and reimbursements for employees and board members were in accordance with the guidelines set forth by the State of New Jersey.

Management Suggestions

Single Audit

Effective for the fiscal year ended June 30, 2016, there will be significant changes to the Single Audit. These changes include the following:

- An increase in the single audit threshold
- Low risk auditee criteria
- Type A and B threshold
- Coverage requirements for major programs tested for both low risk and non-low risk auditees.

Additionally, the cost principles and administrative requirements such as A-87 have been consolidated under the *OMB Uniform Guidance: Cost Principles, Audit and Administrative Requirements for Federal Awards*. This guidance was effective December 26, 2014 for all new federal awards and for any additional funding for existing awards made after December 26, 2014.

KINNELON BOROUGH SCHOOL DISTRICT
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE
AND PERFORMANCE
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Management Suggestions (Cont'd)

Governmental Accounting Standards Board Statements:

The next Governmental Accounting Standards Board ("GASB") statement which will have a significant impact on the District will be GASB#75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, will be effective for the fiscal year ending June 30, 2018. This standard replaces GASB#45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. It is similar to GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* GASB#68 in that successful implementation of this standard will require the provision of certain key financial and non-financial information from the New Jersey Division of Pensions.

Deferred Compensation Plans

The District has a fiduciary responsibility to its employees related to the deferred compensation plans offered by the District. The District should consider a periodic review of the benefits, features, costs, and performance of its deferred compensation plans and make that information available to employees to assist employees in making suitable choices for investing their retirement funds while fulfilling the District's fiduciary responsibilities.

Independent Contractors vs. Employees

The District should consider reviewing the status of "Independent Contractors" utilized by the District with Internal Revenue Service guidelines for determination of employment status. The IRS has been reviewing employers, including governments, to determine compliance. A proactive approach may help to minimize or eliminate potential penalties related to incorrect employment status determination.

Status of Prior Year's Findings/Recommendations

Recommendations of transferring only the amounts needed to cover the respective payroll from General Fund, in order to ensure that no interfund balances exist, all payroll registers be signed off by the required officials, and the District maintain all supporting documentation used in reporting the ASSA from the prior year audit have been corrected in the current year.

BOROUGH OF KINNELON BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014

	2014-2015 Application for State School Aid						Sample for Verification						
	Reported on Revised ASSA		Reported on Workpapers		Errors		Sample Selected from Workpapers		Verified per Registers		Errors		
	On Roll		On Roll		Full	Shared	Full	Shared	Full	Shared	Full	Shared	
	Full	Shared	Full	Shared									Full
Full Day Preschool 4 Years Old	3		3					3		3			
Full Day Kindergarten	91		91					91		91			
Grade One	114		114					114		114			
Grade Two	118		118					118		118			
Grade Three	114		114					114		114			
Grade Four	146		146					146		146			
Grade Five	136		136					136		136			
Grade Six	145		145					145		145			
Grade Seven	154		154					154		154			
Grade Eight	154		154					154		154			
Grade Nine	145		145					145		145			
Grade Ten	139	1	139	1				139	1	139	1		
Grade Eleven	147	2	147	2				147	2	147	2		
Grade Twelve	153	1	153	1				153	1	153	1		
Subtotal	<u>1,759</u>	<u>4</u>	<u>1,759</u>	<u>4</u>				<u>1,759</u>	<u>4</u>	<u>1,759</u>	<u>4</u>		
Special Education:													
Elementary	87		87					9		9			
Middle	55		61		(6)			5		5			
High	99	9	111	9	(12)			10		10			
Subtotal	<u>241</u>	<u>9</u>	<u>259</u>	<u>9</u>	<u>(18)</u>			<u>24</u>		<u>24</u>			
Totals	<u>2,000</u>	<u>13</u>	<u>2,018</u>	<u>13</u>	<u>(18)</u>	<u>0</u>		<u>1,783</u>	<u>4</u>	<u>1,783</u>	<u>4</u>	<u>-0-</u>	<u>-0-</u>
Percentage Error					<u>-0.89%</u>	<u>0.00%</u>						<u>0.00%</u>	<u>0.00%</u>

BOROUGH OF KINNELON BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014

	Private Schools for Disabled					Resident Low Income						
	Reported on ASSA as Private Schools	Reported on Workpapers as Private Schools	Errors	Sample for Verification	Sample Verified	Sample Errors	Reported on ASSA as Low Income	Reported on Workpapers as Low Income	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Full Day Kindergarten							1	1		1	1	
Grade One							3	3		1	1	
Grade Two							13	13		6	6	
Grade Three							2	2		1	1	
Grade Four							5	5		1	1	
Grade Five							7	7		2	2	
Grade Six							4	4		1	1	
Grade Seven							3	3		1	1	
Grade Eight							1	1		1	1	
Grade Nine							5	5		2	2	
Grade Ten							3	3		1	1	
Grade Eleven							3	3		1	1	
Grade Twelve							3	3		1	1	
Subtotal							53	53		20	20	
Special Education:												
Elementary School	3	3		1	1		6	3	-3	1	1	
Middle School	4	4		2	2		5	4	-1	2	2	
High School	9	9		3	3		8	12	4	3	3	
Subtotal	16	16		6	6		19	19		6	6	
Totals	16	16		6	6		72	72		26	26	
Percentage Error			0.00%			0.00%			0.00%			0.00%

BOROUGH OF KINNELON BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014

	Resident LEP Low Income					
	Reported on ASSA as LEP Low Income	Reported on Workpapers as LEP Low Income	Errors	Sample Selected from Workpapers	Verified to Test Scores, Application and Register	Sample Errors
Full Day Kindergarten	1	1		1	1	
Grade Four	1	1		1	1	
Grade Five	1	1		1	1	
Subtotal	<u>3</u>	<u>3</u>		<u>3</u>	<u>3</u>	
Totals	<u>3</u>	<u>3</u>		<u>3</u>	<u>3</u>	
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

BOROUGH OF KINNELON BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014

	Resident LEP Not Low Income					
	Reported on ASSA as LEP Not Low Income	Reported on Workpapers as LEP Not Low Income	Errors	Sample Selected from Workpapers	Verified to Test Scores and Register	Sample Errors
Full Day Kindergarten	1	1		1	1	
Grade One	2	2		1	1	
Grade Two	1	1		1	1	
Grade Four	1	1		1	1	
Grade Five	1	1		1	1	
Grade Six	1	1		1	1	
Grade Ten	1	1		1	1	
Grade Eleven	1	1		1	1	
Subtotal	<u>9</u>	<u>9</u>		<u>8</u>	<u>8</u>	
Totals	<u>9</u>	<u>9</u>		<u>8</u>	<u>8</u>	
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

BOROUGH OF KINNELON BOARD OF EDUCATION
SCHEDULE OF AUDITED ENROLLMENT
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular - Public Schools	1,208	1,208		25	25	
Regular - Special Education	158	158		16	16	
AIL - Non Public	82	82		8	8	
Special Needs - Public	48	48		5	5	
Special Needs - Private	10	10		4	4	
Totals	<u>1,506</u>	<u>1,506</u>	<u>-0-</u>	<u>58</u>	<u>58</u>	
Percentage Error			<u>0.00%</u>			<u>0.00%</u>

	<u>Reported</u>	<u>Recalculated</u>
Average Mileage - Regular Including Grade PK Students	4.3	4.3
Average Mileage - Regular Excluding Grade PK Students	4.3	4.3
Average Mileage - Special Education with Special Needs	8.7	8.7

KINNELON BOROUGH SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FISCAL YEAR ENDED JUNE 30, 2015

Regular District**Section 1****2% Calculation of Excess Surplus**

2014-15 Total General Fund Expenditures per the CAFR, Ex. C-1	<u>\$ 38,359,054</u> (B)	
Increased by:		
Transfer from Capital Outlay to Capital Projects Fund	<u>\$ -0-</u> (B1a)	
Transfer from Capital Reserve to Capital Projects Fund	<u>\$ 185,340</u> (B1b)	
Decreased by:		
On-Behalf TPAF Pension and Social Security	<u>\$ 3,412,408</u> (B2a)	
Assets Acquired Under Capital Leases	<u>\$ -0-</u> (B2b)	
Adjusted 2014-15 General Fund Expenditures [(B)+(B1's)-(B2's)]	<u>\$ 35,131,986</u> (B3)	
2% of Adjusted 2014-15 General Fund Expenditures [(B5) times .02]	<u>\$ 702,640</u> (B4)	
Enter Greater of (B4) or \$250,000	<u>\$ 702,640</u> (B5)	
Increased by: Allowable Adjustment	<u>\$ 314,429</u> (K)	
Maximum Unassigned Fund Balance [(B5)+(K)]		<u>\$ 1,017,069</u> (M)

Section 2

Total General Fund - Fund Balances @ 6/30/15 (Per CAFR Budgetary Comparison Schedule/Statement)	<u>\$ 2,237,761</u> (C)	
Decreased by:		
Year-end Encumbrances	<u>\$ 381,921</u> (C1)	
Legally Restricted - Designated for Subsequent Year's Expenditures	<u>\$ -0-</u> (C2)	
Legally Restricted Excess Surplus - Designated for Subsequent Year's Expenditures	<u>\$ 161,565</u> (C3)	
Other Restricted Fund Balances	<u>\$ 677,206</u> (C4)	
Assigned - Designated for Subsequent Year's Expenditures	<u>\$ -0-</u> (C5)	
Total Unassigned Fund Balance [(C)-(C1)-(C2)-(C3)-(C4)-(C5)]		<u>\$ 1,017,069</u> (U)

Section 3

Restricted Fund Balance-Excess Surplus [(U)-(M)] IF NEGATIVE, ENTER -0-	<u>\$ 0</u> (E)
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KINNELON BOROUGH SCHOOL DISTRICT
EXCESS SURPLUS CALCULATION
FISCAL YEAR ENDED JUNE 30, 2015
(Continued)

Recapitulation of Excess Surplus as of June 30, 2015

Restricted Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 161,565 (C3)
Restricted Excess Surplus [(E)]	<u>\$ 0 (E)</u>
Total [(C3)+(E)]	<u>\$ 161,565 (D)</u>

Detail of Allowable Adjustments

Impact Aid	\$ -0- (H)
Sale & Lease-back	\$ -0- (I)
Extraordinary Aid	\$ 300,161 (J1)
Additional Nonpublic School Transportation Aid	<u>\$ 14,268 (J2)</u>
Total Adjustments (H)+(I)+(J1)+(J2)+(J3)	<u>\$ 314,429 (K)</u>

Detail of Other Restricted Fund Balances

Statutory Restrictions:

Approved Unspent Separate Proposal	\$ -
Sale/Lease-back Reserve	\$ -
Capital Reserve	\$ 677,206
Maintenance Reserve	\$ -
Tuition Reserve	\$ -
Emergency Reserve	\$ -
Other Restricted Fund Balance not Noted Above	<u>\$ -</u>
Total Other Restricted Fund Balance	<u>\$ 677,206 (C-4)</u>

KINNELON BOROUGH SCHOOL DISTRICT
SUMMARY OF RECOMMENDATIONS
FISCAL YEAR ENDED JUNE 30, 2015

It is recommended that:

1. Administrative Practices and Procedures

The District monitor budget appropriation lines, and make transfers of budget appropriations in a timely manner in order to avoid over-expenditures.
2. Financial Planning, Accounting and Reporting

None
3. School Purchasing Program

None
4. School Food Service

None
5. Student Body Activities

A formal voucher process instituted for payment of officials of sporting events.
6. Application for State School Aid

None
7. Pupil Transportation

None
8. Facilities and Capital Assets

None
9. Status of Prior Year's Findings/Recommendations

Recommendations of transferring only the amounts needed to cover the respective payroll from General Fund, in order to ensure that no interfund balances exist, all payroll registers be signed off by the required officials, and the District maintain all supporting documentation used in reporting the ASSA from the prior year audit have been corrected in the current year.