

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

of the

BERKELEY HEIGHTS BOARD OF EDUCATION
BERKELEY HEIGHTS, NEW JERSEY

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

AUDITORS MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS
FINANCIAL, COMPLIANCE AND PERFORMANCE

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NOKE AND HEARD, L.L.P.

Certified Public Accountants

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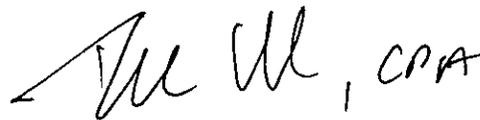
REPORT OF INDEPENDENT AUDITORS

Honorable President and
Members of the Board of Education
Township of Berkeley Heights
County of Union, New Jersey

We have audited, in accordance with generally accepted auditing standards and *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the Board of Education of the Township of Berkeley Heights in the County of Union for the year ended June 30, 2015, and have issued our report thereon dated December 9, 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 report is intended for the information of the Berkeley Heights 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.



DONALD C. HEARD
CERTIFIED PUBLIC ACCOUNTANT
LICENSED PUBLIC SCHOOL ACCOUNTANT
NO. 20CS00118000
NOKE AND HEARD, L.L.P.

December 9, 2015

ADMINISTRATIVE FINDINGS - FINANCIAL
COMPLIANCE AND PERFORMANCE

Scope of Audit

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

Administrative Practices and ProceduresInsurance

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

Official's Bonds

<u>Name</u>	<u>Position</u>	<u>Amount of Bond</u>
Harold Kessler	Treasurer of School Monies	\$ 300,000
Donna A. Felezzola	Secretary of the Board of Education	\$ 300,000
Blanket on Employees		\$ 100,000

Tuition Charges

All tuition-paying districts are members of the Morris-Union Jointure Commission. They are exempt from using the State Special Education Tuition contract except for the Hard of Hearing Program.

For the Hard of Hearing Program, a comparison of tentative tuition charges and actual certified tuition charges was made. The actual costs were greater than 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. 6:20-3.1(e)4.

Financial Planning, Accounting and ReportingExamination 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.

Reserve for Encumbrances and Accounts Payable

A review of outstanding issued purchase orders was made as of June 30, 2015 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 rendered as of June 30, 2015.

Classification of Expenditures

The coding of expenditures was tested for proper classification in accordance with N.J.A.C. 6:20-2A.2(m) 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. As a result of the procedures performed, a transaction error rate of 0.00% was noted and no additional procedures were deemed necessary to test propriety of expenditure classification.

Board Secretary's Records

Pursuant to N.J.A.C. 6:30-2:13 the Board Secretary complied with the monthly certification requirements concerning account over expenditures. In addition, the Board, after consulting with the Secretary and review of the monthly financial statements, also certified in the minutes on a monthly basis that no major account or fund has been overexpended.

The financial records, books and accounts and minutes maintained by the Secretary were found to be in good condition. The prescribed contractual order system was followed.

Treasurer's Records

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

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./N.C.L.B. financial exhibits are contained within the Special Revenue Section of the CAFR. This section of the CAFR documents the financial position pertaining to the projects made under Title's II and III and the IDEA Basic and Preschool Programs of the Elementary and Secondary Education Act as reauthorized.

The study of compliance for E.S.E.A./N.C.L.B. indicated no areas of noncompliance and/or questionable costs.

Other Special Federal and/or State Projects

The Districts' special projects were approved as listed on Exhibit K-3 and K-4 located in the District's CAFR.

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

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

The study of compliance for the special projects indicated no areas of noncompliance.

T.P.A.F. Reimbursement

Our audit procedures included a test of the biweekly reimbursement claims filed with the Department of Education for District employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

There were no reimbursements to the state for federal salary expenditures since no salary amounts were charged to any of the federal programs.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2010 and thereafter, the bid thresholds in accordance with N.J.S.A. 18A:18A-3 (as amended) and 18A:39-3 are \$36,000 and \$26,000, respectively.

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 my examination indicated that no individual payments, contract, or agreement was made for the performance of work or goods and 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, amended.

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

School Food Service

The financial transactions and statistical records of the school food services were maintained in satisfactory condition. The financial accounts, meal count records and eligibility applications were reviewed on a test-check basis.

The District does not participate in the Federal Child Nutrition Program.

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.

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. Net cash resources did not exceed three months average expenditures.

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 fund it appeared that all funds intended for the activity were properly recorded in accordance with the Board approved policy regulating student activity funds.

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, and low-income and bilingual. We also performed a review of the district's 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 equivalent.

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

Pupil Transportation

Our audit procedures included a test of the on roll status reported in the 2013-14 District Report of Transported Resident Students (DRTRS). The information that was included in the DRTRS was verified to the DRTRS Eligibility Summary Report exceptions.

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 had no SDA Grants during 2014-15.

Follow-up on Prior Years' Findings

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

Acknowledgment

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

SCHEDULE OF MEAL COUNT ACTIVITY
BOARD OF EDUCATION TOWNSHIP OF BERKELEY HEIGHTS
FOOD SERVICE FUND
NUMBER OF MEALS SERVED AND (OVER) UNDERCLAIM
ENTERPRISE FUNDS

Page No. 7

FOR THE FISCAL YEAR ENDED JUNE 30, 2015

NOT APPLICABLE

BOARD OF EDUCATION
TOWNSHIP OF BERKELEY HEIGHTS

APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 17, 2014

	2015-2016 APPLICATION FOR STATE SCHOOL AID				SAMPLE FOR VERIFICATION				PRIVATE SCHOOLS FOR DISABLED			
	REPORTED ON ASSA ON ROLL	WORKPAPERS ON ROLL	ERRORS FULL SHARED	SAMPLE SELECTED FROM WORKPAPERS	VERIFIED PER REGISTERS ON ROLL	REGISTERS ON ROLL	ERRORS PER REGISTERS ON ROLL	REPORTED ON ASSA AS PRIVATE SCHOOLS	SAMPLE FOR VERIFICATION	SAMPLE VERIFIED	SAMPLE ERRORS	
Half Day Preschool - 3 yrs.	13	-	-	13	13	-	-	-	-	-	-	
Half Day Preschool - 4 yrs.	19	-	-	19	19	-	-	-	-	-	-	
Half Day Kindergarten	121	-	-	121	121	-	-	-	-	-	-	
Grade One	139	-	-	139	139	-	-	-	-	-	-	
Grade Two	152	-	-	56	56	-	-	-	-	-	-	
Grade Three	188	-	-	60	60	-	-	-	-	-	-	
Grade Four	162	-	-	48	48	-	-	-	-	-	-	
Grade Five	135	-	-	51	51	-	-	-	-	-	-	
Grade Six	179	-	-	179	179	-	-	-	-	-	-	
Grade Seven	186	-	-	186	186	-	-	-	-	-	-	
Grade Eight	165	-	-	165	165	-	-	-	-	-	-	
Grade Nine	241	-	-	241	241	-	-	-	-	-	-	
Grade Ten	247	-	-	247	247	-	-	-	-	-	-	
Grade Eleven	202	2	-	202	202	2	-	-	-	-	-	
Grade Twelve	225	-	-	225	225	-	-	-	-	-	-	
Subtotal	2,374	2	-	2,374	2	1,952	2	-	-	-	-	
Special Ed. - Elementary	103	-	-	29	29	-	-	3	3	3	-	
Special Ed. - Middle School	62	-	-	62	62	-	-	-	-	-	-	
Special Ed. - High School	122	6	-	122	122	6	-	8	8	8	-	
Subtotal	287	6	-	213	213	6	-	11	11	11	-	
Co. Voc. - Regular	-	-	-	-	-	-	-	-	-	-	-	
Co. Voc. - FT Post. Sec.	-	-	-	-	-	-	-	-	-	-	-	
Totals	2,661	8	-	2,165	2,165	8	-	11	11	11	-	
Percentage error			0%			0%					0%	

BOARD OF EDUCATION
TOWNSHIP OF BERKELEY HEIGHTS

APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 17, 2014

	RESIDENT LOW INCOME		SAMPLE FOR VERIFICATION		RESIDENT LEP LOW INCOME		SAMPLE FOR VERIFICATION	
	REPORTED ON ASSA AS LOW INCOME	WORKPAPERS AS LOW INCOME	REPORTED ON ASSA AS LEP LOW INCOME	WORKPAPERS AS LEP LOW INCOME	REPORTED ON ASSA AS LEP LOW INCOME	WORKPAPERS AS LEP LOW INCOME	REPORTED ON ASSA AS LEP LOW INCOME	WORKPAPERS AS LEP LOW INCOME
Half Day Preschool - 3 yrs.	-	-	-	-	-	-	-	-
Half Day Preschool - 4 yrs.	-	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-
Grade One	3	3	2	2	-	-	-	-
Grade Two	1	1	1	1	-	-	-	-
Grade Three	1	1	1	1	-	-	-	-
Grade Four	2	2	1	1	-	-	-	-
Grade Five	3	3	1	1	-	-	-	-
Grade Six	4	4	4	4	-	-	-	-
Grade Seven	-	-	-	-	-	-	-	-
Grade Eight	3	3	2	2	-	-	-	-
Grade Nine	1	1	1	1	-	-	-	-
Grade Ten	2	2	1	1	-	-	-	-
Grade Eleven	3	3	3	3	-	-	-	-
Grade Twelve	3	3	2	2	-	-	-	-
Subtotal	26	26	19	19	-	-	-	-
Special Ed. - Elementary	1	1	1	1	-	-	-	-
Special Ed. - Middle School	6	6	4	4	-	-	-	-
Special Ed. - High School	8	8	5	5	-	-	-	-
Subtotal	15	15	10	10	-	-	-	-
Co. Voc. - Regular	-	-	-	-	-	-	-	-
Co. Voc. - FT Post. Sec.	-	-	-	-	-	-	-	-
Totals	41	41	29	29	-	-	-	-
Percentage error								0%

	TRANSPORTATION		TRANSPORTATION	
	REPORTED ON DTRS BY DOE/CITY	REPORTED ON DTRS BY DISTRICT	REPORTED ON DTRS BY DOE/CITY	REPORTED ON DTRS BY DISTRICT
Reg. - Public Schools - Col. 1	691	691	463	463
Reg. - Special Ed. - Col. 4	11	11	11	11
Transported Non-public - Col. 3	32	32	23	23
Special Needs - Public - Col. 6	20	20	-	-
Totals	754	754	497	497
Percentage Error				0%

Reg. Avg. (Mileage) = Regular Incl. Grade PK 4.47
 Reg. Avg. (Mileage) = Regular Excl. Grade PK 4.47
 Spec. Avg. = Special Ed. with Special Needs 7.30

BOARD OF EDUCATION
TOWNSHIP OF BERKELEY HEIGHTS

APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 17, 2014

	RESIDENT LEP NOT LOW INCOME	REPORTED ON ASSA AS NOT LOW INCOME	WORKPAPERS AS NOT LOW INCOME	ERRORS	SAMPLE SELECTED FROM WORKPAPERS	VERIFIED TO APPLICATION AND REGISTER	SAMPLE ERRORS
Half Day Preschool - 3 yrs.	-	-	-	-	-	-	-
Half Day Preschool - 4 yrs.	-	-	-	-	-	-	-
Half Day Kindergarten	5	5	5	-	5	5	-
Grade One	-	-	-	-	-	-	-
Grade Two	2	2	2	-	2	2	-
Grade Three	3	3	3	-	3	3	-
Grade Four	1	1	1	-	1	1	-
Grade Five	-	-	-	-	-	-	-
Grade six	-	-	-	-	-	-	-
Grade Seven	1	1	1	-	1	1	-
Grade Eight	1	1	1	-	1	1	-
Grade Nine	2	2	2	-	2	2	-
Grade Ten	2	2	2	-	2	2	-
Grade Eleven	1	1	1	-	1	1	-
Grade Twelve	-	-	-	-	-	-	-
Subtotal	18	18	18	-	18	18	-
Special Ed. - Elementary	-	-	-	-	-	-	-
Special Ed. - Middle School	-	-	-	-	-	-	-
Special Ed. - High School	-	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-	-
Co. Voc. - Regular	-	-	-	-	-	-	-
Co. Voc. - Ft Post. Sec.	-	-	-	-	-	-	-
Totals	18	18	18	-	18	18	-
Percentage error				0%			0%

BOARD OF EDUCATION TOWNSHIP OF BERKELEY HEIGHTS

EXCESS SURPLUS CALCULATIONREGULAR DISTRICTSECTION 1A. 2% Calculation of Excess Surplus

2014-15 Total General Fund Expenditures per the CAFR, Exhibit C-1	\$49,551,754
Increased by:	
Transfer to Food Service Fund	-
Transfer from Capital Outlay to Capital Projects Fund	-
Transfer from Capital Reserve to Capital Projects Fund	-
Decreased by:	
On-Behalf TPAF Pension & Social Security	(4,675,188)
Assets Acquired Under Capital Leases	<u>(377,192)</u>
Adjusted 2014-15 General Fund Expenditures	<u>\$44,499,374</u>
2% of Adjusted 2014-15 General Fund Expenditures	\$ 889,987
Enter Greater of above or \$250,000	889,987
Increased by: Allowable Adjustment	<u>306,851</u>
Maximum Unreserved/Undesignated Fund Balance	<u>\$ 1,196,838</u>

SECTION 2

Total General Fund - Fund Balances at 6-30-15 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 4,127,589
Decreased by:	
Reserved for Encumbrances	(170,663)
Legally Restricted - Designated for Subsequent Year's Expenditures	-
Legally restricted - Excess Surplus - Designated for Subsequent Year's Expenditures	(820,791)
Other Reserved Fund Balances	(1,106,279)
Unreserved - Designated for Subsequent Year's Expenditures	-
Total Unreserved/Undesignated Fund Balance	<u>\$ 2,029,856</u>

SECTION 3

Reserved Fund Balance - Excess Surplus	<u>\$ 833,018</u>
<u>Recapitulation of Excess Surplus as of June 30, 2015</u>	
Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 820,791
Reserved Excess Surplus	-
Total	<u>\$ 1,653,809</u>

BOARD OF EDUCATION TOWNSHIP OF BERKELEY HEIGHTSEXCESS SURPLUS CALCULATIONDetail of Allowable Adjustments

Impact Aid	\$	-
Sale & Lease-back		-
Extraordinary Aid		273,791
Additional Nonpublic School Transportation Aid		<u>33,060</u>
Total Adjustments	\$	<u>306,851</u>

Detail of Other Reserved Fund Balance

Statutory restrictions:		
Approved unspent separate proposal	\$	-
Capital outlay for a district with a capital outlay SGLA		-
Sale/lease-back reserve		-
Capital reserve		1,106,279
Maintenance reserve		-
Tuition reserve		-
Other state/government mandated reserve		<u>-</u>
Total Other Reserved Fund Balance	\$	<u>1,106,279</u>