

**CEDAR GROVE PUBLIC SCHOOLS
AUDITORS MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE
JUNE 30, 2015**

**CEDAR GROVE PUBLIC SCHOOLS
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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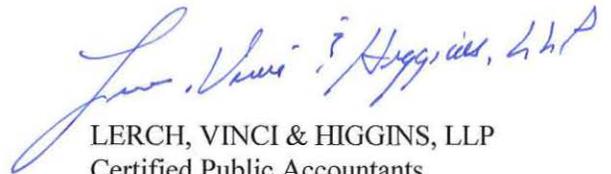
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Honorable President and Members
of the Board of Trustees
Cedar Grove Public Schools
Cedar Grove, New Jersey

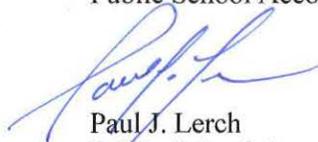
We have audited in accordance with auditing standards generally accepted in the United States of America and Government Auditing Standards issued by the Comptroller General of the United States, the basic financial statements of the Cedar Grove Public Schools as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated December 7, 2015.

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

This report is intended solely for the information and use of management, the Board of Trustees, others within the District and the New Jersey State Department of Education. However, this report is a matter of public record and its distribution is not limited.



LERCH, VINCI & HIGGINS, LLP
Certified Public Accountants
Public School Accountants



Paul J. Lerch
Public School Accountant
PSA Number CS01118

Fair Lawn, New Jersey
December 7, 2015

**CEDAR GROVE PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE 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

Fire insurance coverage was carried in the amounts as detailed on Exhibit J-20, Insurance Schedule contained in the district's Comprehensive Annual Financial Report (the "CAFR").

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

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Renee Taveniere, CPA, RSBA	Board Secretary/Business Administrator	\$230,000
William Homa, CPA	Treasurer of School Monies	260,000

There is a Public Employees' Blanket Position Bond with Fidelity & Deposit Co. covering all other employees \$100,000 each person.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made.

Financial Planning, Accounting and Reporting

Examination of Claims

An examination of claims paid during the period under review did not reveal 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 tested 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 premium withholding due to the General Fund.

**CEDAR GROVE PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Financial Planning, Accounting and Reporting

Reserve for Encumbrances and 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 reserve 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 reliability and compliance with N.J.A.C. 6A:23A-8.3.

Board Secretary's Records

The financial records, books of account and minutes maintained by the Board Secretary were in good condition.

Acknowledgement of the Board's receipt of the Board Secretary and Treasurer's monthly financial reports was included in the minutes.

Bids received were summarized in the minutes (N.J.S.A. 18A:18A-21).

Travel

The District has established a policy regulating travel.

Treasurer's Records

The Treasurer did perform cash reconciliations for all the accounts as required (N.J.S.A. 18A:17-36).

All cash receipts were promptly deposited.

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

Unemployment Compensation Insurance Trust Fund

The Board has adopted the direct reimbursement method and has established an Unemployment Compensation Insurance Trust Fund. The financial transactions of this fund are reported in the Fiduciary Fund.

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./I.A.S.A. financial exhibits are contained within the Special Revenue section of the CAFR. This section of the CAFR documents the financial position pertaining to projects under Titles I and II of the Elementary and Secondary Education Act as amended.

**CEDAR GROVE PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Financial Planning, Accounting and Reporting (Continued)

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed on Exhibits K-3 and K-4 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 to the State for Federal Salary Expenditures

The amount of the expenditure charged to the current year's Final Report(s) for all federal awards for the school district (or charter school or renaissance school project) to reimburse the State for the TPAF/FICA payments made by the State on-behalf of the school district (or charter school or renaissance school project) for those employees whose salaries are identified as being paid from federal funds was made prior to the end of the 60 day grant liquidation period required by the Office of Grants Management. The expenditure was reviewed subsequent to the reimbursement and no exceptions were noted.

Our audit procedures included a test of the semi-monthly reimbursements filed with the Department of Education for district employees who are members of the Teachers Pension and Annuity Fund. No exceptions were noted.

Nonpublic State Aid

Project Completion Reports were finalized and transmitted to the Department by the due date.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2011 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. On May 3, 2012 and May 14, 2013, the Board appointed the School Business Administrator as a qualified purchasing agent for the Board which raises the bidding threshold to \$36,000 for the 2011/2012 school year. The law regulating bidding for public school transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,300.

The Cedar Grove Public Schools has the responsibility of determining whether the expenditures in any category will exceed the statutory thresholds within the fiscal 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.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or goods or service, the result of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

**CEDAR GROVE PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

School Purchasing Programs (Continued)

Contracts and Agreements Requiring Advertisement for Bids (Continued)

The results of our examination did not indicate any individual payments, contracts, or agreements which were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of statutory thresholds where there had been no advertising for bids in accordance with the provisions of N.J.S.A. 18A:18A-4, as amended.

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. Our examination did reveal, however, that the district purchased items through the use of State contracts.

School Food Service

The financial transactions and statistical records of the school food service fund were maintained in good condition.

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.

Time sheets were reviewed and labor costs verified. Payroll records were maintained on all school food services employees authorized by the board of education.

Cash receipts and bank records were reviewed for timely deposit.

The District has contracted with Pomptonian as its 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 does not include an operating results provision.

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.

Student Activity and Athletic Association Accounts

The district has established a policy for the recording and processing of the cash receipts and cash disbursements for the student activity accounts.

Finding –Our audit of the High School Athletics cash disbursement cycle revealed that there were several check request forms that lacked the required approval signatures.

Recommendation – It is recommended that all athletic check request forms have all the required signatures prior to making payment.

**CEDAR GROVE PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Student Activity and Athletic Association Accounts (Continued)

Finding –Our audit of the High School cash disbursements revealed the following:

- One check request form lacked a supporting vendor invoice.
- Two purchases were made by an individual utilizing their personal credit cards and the shipment of these items was made to their home address.
- There were three purchases for staff Christmas gifts, Christmas luncheon and business cards that were unrelated to the student activity account funds.
- One on-line purchase was made that lacked a vendor invoice.

Recommendation – It is recommended that:

- All purchases be supported with vendor invoices.
- Purchases are made directly with the vendors and shipped to the school eliminating individuals utilizing their personal credit cards and seeking reimbursement from the High School Activity Account.
- Student Activity Account funds be utilized for student related activities.

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, related services, 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 with isolated exceptions. 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 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 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 exception. The information on the DRTRS was compared to District records 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 did comply with proper bidding procedures and award of transportation contracts.

Facilities and Capital Assets

Our procedures included a review of SDA grant agreement for consistency with recording SDA revenue, transfer of Local Funds from the General Fund or from the Capital Reserve Account, and awarding contracts for eligible facilities construction.

Follow-Up on Prior Year Findings

A review was performed on all prior year findings, see recommendation for results.

Management Suggestions

The District continue monitoring its potential arbitrage rebate liability during the temporary financing period for the new referendum project.

**CEDAR GROVE PUBLIC SCHOOLS
FOOD SERVICE FUND
SCHEDULE OF MILK COUNTY ACTIVITY AND (OVER)/UNDERCLAIM
ENTERPRISE FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOT APPLICABLE

**FOOD SERVICE FUND
SCHEDULE OF NET CASH RESOURCES
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

NOT APPLICABLE

**CEDAR GROVE PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2014**

	2015-2016 Application for State School Aid						Sample for Verification						Private Schools for Disabled					
	Reported on		Reported on		Errors		Sample		Verified per		Errors per		Reported on Sample		Private Schools	Verifi- cation	Sample Verified	Sample Errors
	A.S.S.A.		Workpapers				Selected from		Register		Registers		A.S.S.A. as for					
	On Roll		On Roll				Workpapers		On Roll		On Roll		Private Schools					
Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	
Half Day Pre K (3yrs)					-	-						-	-					
Full Day Pre K (3yrs)					-	-						-	-					
Half Day Pre K (4yrs)					-	-						-	-					
Full Day Pre K (4yrs)	6		6		-	-	6		6			-	-					
Half Day Kindergarten					-	-						-	-					
Full Day Kindergarten	108		108		-	-	56	-	56	-		-	-					
Grade 1	118		118		-	-	61	-	62	-	1	-	-					
Grade 2	107		107		-	-	45	-	45	-		-	-					
Grade 3	121		121		-	-	55	-	55	-		-	-					
Grade 4	112		112		-	-	52	-	53	-	1	-	-					
Grade 5	117		117		-	-	117	-	117	-		-	-					
Grade 6	123		123		-	-	123	-	123	-		-	-					
Grade 7	118		118		-	-	118	-	118	-		-	-					
Grade 8	133		133		-	-	133	-	133	-		-	-					
Grade 9	126		126		-	-	126	-	127	-	1	-	-					
Grade 10	97	1	97	1	-	-	97	1	97	1		-	-					
Grade 11	104		104		-	-	104	-	104	-		-	-					
Grade 12	99		99		-	-	99	-	100	-	1	-	-					
Subtotal	1,489	1	1,489	1	-	-	1,192	1	1,196	1	4	-	-					
Sp Ed- Elementary	64		64		-	-	21		19		(2)	-	-	13.0	11.0	11.0		-
Sp Ed - Middle School	41		41		-	-	13		13			-	-	10.0	9.0	9.0		-
Sp Ed - High School	49	3	47	3	(2)	-	15	3	15	3		-	-	17.0	15.0	15.0		-
Subtotal	154	3	152	3	(2)	-	49	3		3	(2)	-	-	40.0	35.0	35.0		-
Totals	1,643	4	1,641	4	(2)	-	1,241	4	1,196	4	2	-	-	40.0	35.0	35.0		-
Percentage Error					-0.12%	0.00%					0.16%	0.00%						0.00%

**CEDAR GROVE PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2014
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident Low Income			Sample for Verification			Resident LEP Low Income			Sample for Verification		
	Reported on A.S.S.A	Reported on Workpapers	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors	Reported on A.S.S.A	Reported on Workpapers	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Pre K (3yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Pre K (3yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Pre K (4yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Pre K (4yrs)	-	-	-	-	-	-	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	1.0	1.0	-	1.0	1.0	-	-	-	-	-	-	-
Grade 1	6.0	6.0	-	5.0	5.0	-	5.0	5.0	-	4.0	4.0	-
Grade 2	5.0	5.0	-	4.0	4.0	-	3.0	4.0	1.0	3.0	3.0	-
Grade 3	2.0	2.0	-	2.0	1.0	(1.0)	-	-	-	-	-	-
Grade 4	5.0	5.0	-	5.0	5.0	-	2.0	2.0	-	2.0	2.0	-
Grade 5	-	-	-	-	-	-	-	-	-	-	-	-
Grade 6	8.0	8.0	-	7.0	7.0	-	1.0	1.0	-	1.0	1.0	-
Grade 7	2.0	2.0	-	2.0	2.0	-	-	-	-	-	-	-
Grade 8	5.0	5.0	-	4.0	4.0	-	-	-	-	-	-	-
Grade 9	4.0	4.0	-	4.0	4.0	-	-	-	-	-	-	-
Grade 10	6.0	6.0	-	5.0	5.0	-	1.0	1.0	-	1.0	1.0	-
Grade 11	3.0	3.0	-	3.0	3.0	-	1.0	1.0	-	1.0	1.0	-
Grade 12	4.0	4.0	-	4.0	4.0	-	2.0	2.0	-	2.0	2.0	-
Subtotal	51.0	51.0	-	46.0	45.0	(1.0)	15.0	16.0	1.0	14.0	14.0	-
Sp Ed - Elementary	1.0	1.0	-	1.0	2.0	1.0	-	-	-	-	-	-
Sp Ed - Middle School	1.0	1.0	-	1.0	1.0	-	-	-	-	-	-	-
Sp Ed - High School	5.5	5.5	-	5.0	5.0	-	-	-	-	-	-	-
Subtotal	7.5	7.5	-	7.0	8.0	1.0	-	-	-	-	-	-
Totals	58.5	58.5	-	53.0	53.0	-	15.0	16.0	1.0	14.0	14.0	-
Percentage Error			0.00%			0.00%			6.67%			0.00%

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Reg. - Public Schools	185.0	185.0	-	43.0	43.0	-
Special Ed. - Public	2.0	2.0	-	1.0	1.0	-
Transported - Non - Public	-	-	-	-	-	-
Special Needs - Public	52.0	52.0	-	12.0	12.0	-
Subtotal	239.0	239.0	-	56.0	56.0	-
Percentage Error			0.00%			0.00%

**CEDAR GROVE PUBLIC SCHOOLS
APPLICATION FOR STATE SCHOOL AID
ENROLLMENT AS OF OCTOBER 15, 2014
SCHEDULE OF AUDITED ENROLLMENTS**

	Resident LEP Not Low Income			Sample for Verification		
	Reported on A.S.S.A	Reported on Workpapers	Errors	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Pre K (3yrs)	-	-	-	-	-	-
Full Day Pre K (3yrs)	-	-	-	-	-	-
Half Day Pre K (4yrs)	-	-	-	-	-	-
Full Day Pre K (4yrs)	-	-	-	-	-	-
Half Day Kindergarten	-	-	-	-	-	-
Full Day Kindergarten	-	-	-	-	-	-
Grade 1	1.0	1.0	-	1.0	1.0	-
Grade 2	2.0	2.0	-	2.0	2.0	-
Grade 3	1.0	1.0	-	1.0	1.0	-
Grade 4	-	1.0	1.0	1.0	1.0	-
Grade 5	-	-	-	-	-	-
Grade 6	-	-	-	-	-	-
Grade 7	-	-	-	-	-	-
Grade 8	-	-	-	-	-	-
Grade 9	-	-	-	-	-	-
Grade 10	-	-	-	-	-	-
Grade 11	-	-	-	-	-	-
Grade 12	-	-	-	-	-	-
Subtotal	4.0	5.0	1.0	5.0	5.0	-
Sp Ed - Elementary	-	-	-	-	-	-
Sp Ed - Middle School	-	-	-	-	-	-
Sp Ed - High School	-	-	-	-	-	-
Subtotal	-	-	-	-	-	-
Totals	4.0	5.0	1.0	5.0	5.0	-
			<u>0.00%</u>			<u>0.00%</u>

**CEDAR GROVE PUBLIC SCHOOLS
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SECTION 1A - Two Percent (2%) - Calculation of Excess surplus (2014-2015 expenditures of \$100 million or less)

2014-2015 Total General Fund Expenditures per the CAFR	\$ 28,764,774
Decreased by:	
On-Behalf TPAF Pension & Social Security	2,233,688
Adjusted 2014-2015 General Fund Expenditures	\$ 26,531,086
2% of Adjusted 2014-2015 General Fund Expenditures	530,622
Increased by: Allowable Adjustment	65,628
Maximum Unassigned Fund Balance	\$ 596,250

SECTION 2

Total General Fund - Fund Balance at June 30, 2015	\$ 4,506,789
Decreased by:	
Year End Encumbrances	100,444
Legally Restricted- Excess Surplus - Designated for Subsequent Year's Expenditures	794,329
Other Restrict Fund balances (Capital Reserve)	1,805,475
Assigned Fund Balance-Unreserved-Designated for Subsequent Year's Expenditures	450,627
Total Unassigned Fund Balance	\$ 1,355,914

SECTION 3

Reserved Fund Balance - Excess Surplus	\$ 759,664
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Recapitulation of Excess Surplus as of June 30, 2015

Reserve Excess Surplus- Designated for Subsequent Year's Expenditures	\$ 794,329
Reserve Excess Surplus	759,664
Total Excess Surplus	\$ 1,553,993

Detail of Allowable Adjustments

Additional Nonpublic School Transportation Aid	\$ 24,882
Extraordinary Aid	40,746
Total Adjustment	\$ 65,628

Detail of Other Restricted Fund Balance

Capital Reserve	\$ 1,705,475
Maintenance Reserve	100,000
Total Other Restricted Fund Balance	\$ 1,805,475

**CEDAR GROVE PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

RECOMMENDATIONS

I. Administrative Practices and Procedures

There are none.

II. Financial Planning, Accounting and Reporting

There are none.

III. School Purchasing Programs

There are none.

IV. School Food Services

There are none.

V. Student Activity and Athletic Association Accounts

* It is recommended that:

- All athletic check request forms have all the required signatures prior to making payment.
- High school purchases be supported with vendor invoices.
- High school purchases are made directly with the vendors and shipped to the school eliminating individuals utilizing their personal credit cards and seeking reimbursement from the High School Activity Account.
- High school student activity account funds be utilized for student related activities.

V. Student Body Activities

There are none.

VI. Application of State School Aid

There are none.

VII. Pupil Transportation

There are none.

VIII Facilities and Capital Assets

There are none.

IX. Miscellaneous

There are none.

X. Status of Prior Years' Audit Findings/Recommendations

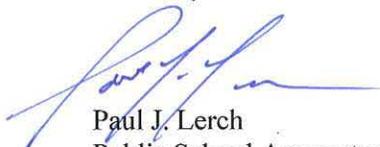
A review was performed on all prior year's recommendations and corrective action was not taken.

**CEDAR GROVE PUBLIC SCHOOLS
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

ACKNOWLEDGMENT

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

Respectfully submitted,
LERCH, VINCI & HIGGINS, LLP



Paul J. Lerch
Public School Accountant
PSA Number CS01118