

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
AUDITOR'S MANAGEMENT REPORT ON
ADMINISTRATIVE FINDINGS -
FINANCIAL COMPLIANCE AND PERFORMANCE
JUNE 30, 2015**

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
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- FINANCIAL, COMPLIANCE AND PERFORMANCE**

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AUDITOR'S MANAGEMENT REPORT

Honorable President and Members
of the Board of Trustees
East Hanover Township Board of Education
East Hanover, 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 East Hanover Township Board of Education as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated December 4, 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 4, 2015

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
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 reported on Exhibit J-20 as 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>
Deborah Muscara	Board Secretary/School Business Administrator	\$250,000
Kenneth Huelbig	Treasurer of School Monies (7-1-14 – 9-30-14)	225,000
Jon S. Rheinhardt Sr.	Treasurer of School Monies (10-13-14 – 6-30-15)	225,000

There is Employees' Dishonesty with Faithful Performance coverage with NJSBAIG covering all other employees with multiple coverage of \$25,000.

Financial Planning, Accounting and Reporting

Examination of Claims

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

Payroll Account

All payrolls tested were certified by the President of the Board, Board Secretary/Business Administrator and Chief School Administrator.

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Financial Planning, Accounting and Reporting (Continued)

Payroll Account (Continued)

Salary withholdings tested were promptly remitted to the proper agencies, including health benefits premium withholding due to the General Fund.

Payrolls were delivered to the Treasurer of School Monies with a warrant made to his order for the full amount of each payroll.

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. 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:23-2.2(g) 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-2.4. As a result of the procedures performed, no errors were noted.

Travel

The District has adopted a policy regulating travel.

Board Secretary's Records

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

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

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

Treasurer's Records

The Treasurer did perform reconciliations for the general operating account, payroll agency and the net payroll account.

All cash receipts were promptly deposited.

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

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

Financial Planning, Accounting and Reporting (Continued)

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 School Act (IASA) as Reauthorized by the No Child Left Behind Act of 2001

The E.S.E.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 Title II, IV and VI of the Elementary and Secondary Education Act.

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.

Other Special Federal and/or State Projects

The district's Special Projects were approved as listed Exhibits K-3 and K-4 located in the CAFR.

Our examination 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 Fund section of the CAFR. This section of the CAFR documents the financial position pertaining to the aforementioned special projects.

T.P.A.F. Reimbursements

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

T.P.A.F. Reimbursements to the State for Federal Salary Expenditures

None.

Non-Public State Aid

Project completion reports were finalized and transmitted to the department by the due date.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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-2 (as amended) 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. On July 16, 2012, the Board of Education appointed Deborah Muscara as a qualified purchasing agent.

The Board of Education 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 Board 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 goods or service, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. No such violations were noted.

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.

Food Service Fund

The financial transactions and statistical records of the school food services were maintained in satisfactory condition.

Expenditures were separately recorded as milk and other costs. Vendor invoices were reviewed and costs verified.

There was no inventory at June 30, 2015.

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.

After School Child Care Program

The records of the after school child care program were in good condition.

Student Activity Funds

The District had a policy and procedures in place for regulating the student activity funds.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE REPORTING
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

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 school for the handicapped, low-income and bilingual education. 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 isolated exceptions. The information that was included on the workpapers was verified with an isolated exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

The district maintained workpapers on the prescribed state forms of their equivalent.

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

Pupil Transportation

Our audit procedures included a test of on-roll status reported in the 2014-15 District Report of Transported Resident Students (DRTRS). The information that was included on the DRTRS was verified to the DRTRS Eligibility Summary Report with an isolated exception. The results of our procedures are presented in the Schedule of Audited Enrollments.

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

Facilities and Capital Assets

Capital asset records were updated for the additions and disposals of capital assets made throughout the year.

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
FOOD SERVICE FUND
SCHEDULE OF MILK COUNTY ACTIVITY AND (OVER)/UNDERCLAIM
ENTERPRISE FUNDS
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

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2014

	2015- 2016 Application for State School Aid						Sample for Verification				Private Schools for Disabled					
	Reported on A.S.S.A. On Roll		Reported on Workpapers On Roll		Errors		Sample Selected from Workpapers		Verified per Register On Roll		Errors per Registers On Roll		Reported on A.S.S.A. as Private Schools	Sample for Veri- cation	Sample Verified	Sample Errors
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared				
Half Day Preschool - 3 years	9	-	9	-	-	-	9	-	9	-	-	-				
Half Day Preschool - 4 years	13	-	13	-	-	-	13	-	13	-	-	-				
Half Day Kindergarten	84	-	84	-	-	-	84	-	84	-	-	-				
Full Day Kindergarten	-	-	-	-	-	-	-	-	-	-	-	-				
One	77	-	75	-	2	-	75	-	75	-	-	-				
Two	86	-	86	-	-	-	86	-	86	-	-	-				
Three	100	-	100	-	-	-	100	-	100	-	-	-				
Four	83	-	83	-	-	-	83	-	83	-	-	-				
Five	100	-	100	-	-	-	100	-	100	-	-	-				
Six	100	-	100	-	-	-	100	-	100	-	-	-				
Seven	95	-	95	-	-	-	95	-	95	-	-	-				
Eight	100	-	100	-	-	-	100	-	100	-	-	-				
Nine	-	-	-	-	-	-	-	-	-	-	-	-				
Ten	-	-	-	-	-	-	-	-	-	-	-	-				
Eleven	-	-	-	-	-	-	-	-	-	-	-	-				
Twelve	-	-	-	-	-	-	-	-	-	-	-	-				
Subtotal	847	-	845	-	2	-	845	-	845	-	-	-	-	-	-	-
Spec Ed - Elementary	77	-	79	-	(2)	-	25	-	25	-	-	-	2	2	2	-
Spec Ed- Middle School	73	-	73	-	-	-	24	-	24	-	-	-	5	4	4	-
Spec Ed - High School	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	150	-	152	-	(2)	-	49	-	49	-	-	-	7	6	6	-
Totals	997	-	997	-	-	-	894	-	894	-	-	-	7	6	6	-
Percentage Error					<u>0.00%</u>					<u>0.00%</u>					<u>0.00%</u>	

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2014

	Low Income			Sample for Verification			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	Sample Errors	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	Sample Errors
Half Day Pre-School (3 Yrs)												
Half Day Pre-School (4 Yrs)												
Half Day Kindergarten	2	1	1	1	1	-	-	-	-	-	-	-
One	2	2	-	2	2	-	1	-	1	-	-	-
Two	1	1	-	1	1	-	-	-	-	-	-	-
Three	1	1	-	1	1	-	-	-	-	-	-	-
Four	1	1	-	1	1	-	-	-	-	-	-	-
Five	2	1	1	1	1	-	-	-	-	-	-	-
Six	2	2	-	2	2	-	-	-	-	-	-	-
Seven	2	2	-	2	2	-	-	-	-	1	1	-
Eight	5	6	(1)	3	3	-	1	1	-	-	-	-
Nine	-	-	-	-	-	-	-	-	-	-	-	-
Ten	-	-	-	-	-	-	-	-	-	-	-	-
Eleven	-	-	-	-	-	-	-	-	-	-	-	-
Twelve	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal	18	17	1	14	14	-	2	1	1	1	1	-
Spec Ed - Elementary	1	2	(1)	2	2	-	-	-	-	-	-	-
Spec Ed- Middle School	2	2	-	2	2	-	-	-	-	-	-	-
Spec Ed - High School	-	-	-	-	-	-	-	-	-	-	-	-
	3	4	(1)	4	4	-	-	-	-	-	-	-
Totals	21	21	-	18	18	-	2	1	1	1	1	-

Percentage Error 0.00% 0.00% 0.00% 0.00%

	Transportation					
	Reported on DRTRS by DOE	Reported on DRTRS by District	Errors	Tested	Verified	Errors
Regular- Public Schools	247	246	1	44	44	-
Regular - Sped.	14	14	-	3	3	-
Transported- Non- Public	30	30	-	5	5	-
Special Needs- Public	53	53	-	10	10	-
Totals	344	343	1	62	62	-

0.00% 0.00%

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
A.S.S.A.
SCHEDULE OF AUDITED ENROLLMENTS
10/15/2014

	LEP Not 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 Register	Sample Errors
Half Day Pre-School (3 Yrs)						
Half Day Pre-School (4 Yrs)						
Half Day Kindergarten	4	4	-	3	3	-
Full Day Kindergarten	-	-	-	-	-	-
One	5	6	(1)	5	5	-
Two	1	1	-	1	1	-
Three	2	2	-	2	2	-
Four	1	1	-	1	1	-
Five	-	-	-	-	-	-
Six	-	-	-	-	-	-
Seven	-	-	-	-	-	-
Eight	-	-	-	-	-	-
Nine	-	-	-	-	-	-
Ten	-	-	-	-	-	-
Eleven	-	-	-	-	-	-
Twelve	-	-	-	-	-	-
Subtotal	<u>13</u>	<u>14</u>	<u>(1)</u>	<u>12</u>	<u>12</u>	<u>-</u>
Spec Ed - Elementary			-	-	-	-
Spec Ed- Middle School			-	-	-	-
Spec Ed - High School			-	-	-	-
Totals	<u><u>13</u></u>	<u><u>14</u></u>	<u><u>(1)</u></u>	<u><u>12</u></u>	<u><u>12</u></u>	<u><u>-</u></u>
Percentage Error			<u><u>-7.69%</u></u>		<u><u>0.00%</u></u>	

**EAST HANOVER TOWNSHIP BOARD OF EDUCATION
CALCULATION OF EXCESS SURPLUS
FOR THE FISCAL YEAR ENDED JUNE 30, 2015**

SECTION 1A

2014-2015 Total General Fund Expenditures per the CAFR	\$	20,329,343
Decreased by:		
On-Behalf TPAF Pension & Social Security		1,749,436
Adjusted 2014-2015 General Fund Expenditures	\$	18,579,907
2% of Adjusted 2014-2015 General Fund Expenditures	\$	371,598
Increased by: Allowable Adjustment		92,277
Maximum Unassigned Fund Balance	\$	463,875

SECTION 2

Total General Fund - Fund Balance at June 30, 2015 (Per CAFR Budgetary Comparison Schedule/Statement)	\$	2,908,609
Decreased by:		
Year End Encumbrances		78,522
Legally Restricted- Excess Surplus- Designated for Subsequent Year's Expenditures		312,406
Other Restricted Fund Balances		1,891,883
Total Unassigned Fund Balance	\$	625,798

SECTION 3

Restricted Fund Balance - Excess Surplus	\$	161,923
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Recapitulation of Excess Surplus as of June 30, 2015

Excess Surplus- Designated for Subsequent Year's Expenditures	\$	312,406
Excess Surplus		161,923
Total Excess Surplus	\$	474,329

Detail of Allowable Adjustments

Extraordinary Aid (Not Budgeted)	\$	83,531
Non Public Transportation Aid		8,746
	\$	92,277

Detail of Other Restricted Fund Balances

Capital Reserve	\$	1,286,883
Capital Reserve- Designated for Subsequent Year's Expenditures		232,000
Maintenance Reserve		160,150
Maintenance Reserve- Designated for Subsequent Year's Expenditures		212,850
	\$	1,891,883

EAST HANOVER TOWNSHIP BOARD OF EDUCATION
RECOMMENDATIONS

I. **Administration Practices and Procedures**

There are none.

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

There are none.

III. **School Purchasing Program**

There are none.

IV. **After School Child Care Program**

There are none.

V. **Student Activity Fund**

There are none.

VI. **Application for State School Aid**

There are none.

VII. **Pupil Transportation**

There are none.

VIII. **Miscellaneous**

There are none.

IX. **Facilities and Capital Assets**

There are none.

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

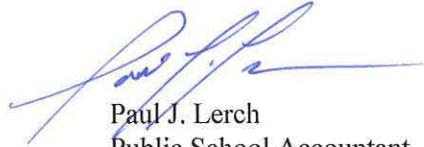
In accordance with government auditing standards, our procedures included a review of the prior year recommendation; however, the prior year recommendation was corrected.

ACKNOWLEDGEMENT

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
Certified Public Accountant