

ESSEX FELLS BOROUGH SCHOOL DISTRICT

COUNTY OF ESSEX

NEW JERSEY

AUDITORS' MANAGEMENT REPORT

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

FOR THE FISCAL YEAR ENDED

JUNE 30, 2015

**SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS**

**ESSEX FELLS BOROUGH SCHOOL DISTRICT
COUNTY OF ESSEX
NEW JERSEY**

**AUDITORS' MANAGEMENT REPORT ON ADMINISTRATIVE FINDINGS -
FINANCIAL, COMPLIANCE AND PERFORMANCE**

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Tax ID #22-6001793

SAMUEL KLEIN AND COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

550 BROAD STREET, 11TH FLOOR
NEWARK, N.J. 07102-9989
PHONE (973) 624-6100
FAX (973) 624-6101

36 WEST MAIN STREET, SUITE 303
FREEHOLD, N.J. 07728-2291
PHONE (732) 780-2600
FAX (732) 780-1030

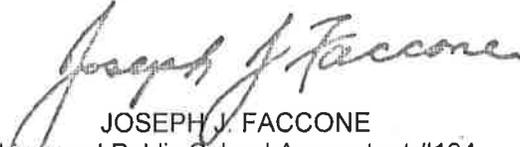
REPORT OF INDEPENDENT AUDITORS

Honorable President and Members
of the Board of Education
Essex Fells Borough School District
County of Essex, New Jersey

We have audited, in accordance with generally accepted audit 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 Essex Fells Borough School District in the County of Essex for the year ended June 30, 2015, and have issued our report thereon dated November 12, 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 Essex Fells Borough 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.


JOSEPH J. FACCONI
Licensed Public School Accountant #194


SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Newark, New Jersey
November 12, 2015

ESSEX FELLS BOROUGH SCHOOL DISTRICT

ADMINISTRATIVE FINDINGS - FINANCIAL, COMPLIANCE AND PERFORMANCE

Scope of Audit

The audit covered the financial transactions of the Board Secretary/School Business Administrator and the 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, Insurance Schedule contained in the District's CAFR.

Official Bonds

<u>Name</u>	<u>Position</u>	<u>Amount</u>
Steven J. Lella	Board Secretary/School Business Administrator	\$ 25,000.00
Marie Criscuolo	Treasurer of School Moneys	152,000.00

There is an Employee Dishonesty Bond with the New Jersey School Board Association Insurance Group covering all other employees in the amount of \$50,000.00.

Tuition Charges

A comparison of tentative tuition charges and actual certified tuition charges was made. The Board made a proper adjustment to the billings to sending districts for the decrease in per pupil costs in accordance with *N.J.A.C. 6A:23A-17.1(f)3*.

Financial Planning, Accounting and Reporting

Examination of Claims

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

In verifying expenditures, computations were tested on claims approved and paid. No attempt was made in this connection to establish proof of rendition, character or extent of services, nor quantities, nature, propriety of prices or receipt of materials, these elements being left necessarily to internal review in connection with approval of claims.

Payroll Account and Position Control Roster

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.

Payroll Account and Position Control Roster (Continued)

All payrolls were approved by the Superintendent and were certified by the President of the Board and the Board Secretary/Business Administrator.

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

The propriety of deductions from individual salaries for Pensions, Social Security, Withholding Tax and other purposes was not verified as part of this examination.

Reserve for Encumbrances and Accounts Payable

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

All encumbrances, contracts, salaries and expenditures for state and federally funded projects were in accordance with laws and regulations and in conformity with procurement requirements.

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. As a result of the procedures performed, a transaction error rate of 0% overall was noted and no additional procedures were deemed necessary to test the propriety of expenditure classification.

Board Secretary's Records

The financial records, books of accounts and minutes maintained by the Board Secretary were in satisfactory condition. The prescribed contractual order system was followed.

District funds were provided and expended in the proper GAAP account codes based upon audit testing of transactions.

Revenue and receipts were established and verified as to source and amount only insofar as the local records permitted.

Treasurer's Records

The Treasurer's records were found to be maintained properly.

Acknowledgment of the Board's receipt of the Treasurer's Report was included in the minutes.

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. Expenditures of federal awards did not meet the \$500,000.00 expenditure threshold requiring a single audit.

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 did not indicate any areas of noncompliance.

TPAF 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. No exceptions were noted.

School Purchasing Programs

Contracts and Agreements Requiring Advertisement for Bids

Effective July 1, 2010 and thereafter the bid threshold in accordance with N.J.S.A. 18A:18A-2 is \$26,000.00 without a Qualified Purchasing Agent. The law regulating bidding for public school transportation contracts under N.J.S.A. 18A:39-3 is currently \$18,300.00.

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.

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.

The results of our examination indicated that no individual payments, contracts, or agreements were made for the performance of any work or goods or 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, as 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

Not Applicable

Student Body Activities

Cash receipts and disbursement records were examined only insofar as the local records permitted. Our review of the student activity fund did not determine any exceptions.

Application for State School Aid

Our audit procedures included a test of information reported in the October 15, 2014 Application for State School Aid (ASSA) 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 ASSA was compared to the District workpapers with discrepancies. The information that was included on the workpapers was verified with discrepancies. 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.

Finding #2015-1:

The attendance register for October 15, 2014 was not available for audit review.

Recommendation:

That the attendance register for October 15, 2014 be available for audit review.

Application for State School Aid (Continued)

Finding #2015-2:

Two students were reported in the wrong grade on the District's workpapers but the net effect on the total on-roll students was zero.

Recommendation:

That greater care be exercised by personnel completing worksheets used in the preparation of the Application for State School Aid.

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 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.

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 prior year findings.

RECOMMENDATIONS

That the attendance register for October 15, 2014 be available for audit review.

That greater care be exercised by personnel completing worksheets used in the preparation of the Application for State School Aid.

Acknowledgment

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


JOSEPH J. FACCONI
Licensed Public School Accountant #194


SAMUEL KLEIN AND COMPANY
CERTIFIED PUBLIC ACCOUNTANTS

Newark, New Jersey
November 12, 2015

SCHEDULE OF AUDITED ENROLLMENTS

**ESSEX FELLS BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014**

	2015-2016 Application for State School Aid						Sample for Verification				Private Schools for Handicapped					
	Reported on A.S.S.A.		Workpapers		Errors		Selected from Workpapers		Verified per Registers		Reported on A.S.S.A. as Private Schools		Sample for Verification		Sample Errors	
	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared	Full	Shared
Half Day Preschool 3 Years Old	10.0	-	8.0	-	2.0	-	6.0	-	6.0	-	-	-	-	-	-	-
Half Day Preschool 4 Years Old	13.0	-	15.0	-	(2.0)	-	7.0	-	7.0	-	-	-	-	-	-	-
Full Day Kindergarten	26.0	-	26.0	-	-	-	15.0	-	15.0	-	-	-	-	-	-	-
One	24.0	-	24.0	-	-	-	14.0	-	14.0	-	-	-	-	-	-	-
Two	18.0	-	18.0	-	-	-	10.0	-	10.0	-	-	-	-	-	-	-
Three	20.0	-	20.0	-	-	-	11.0	-	11.0	-	-	-	-	-	-	-
Four	21.0	-	21.0	-	-	-	12.0	-	12.0	-	-	-	-	-	-	-
Five	20.0	-	20.0	-	-	-	11.0	-	11.0	-	-	-	-	-	-	-
Six	31.0	-	31.0	-	-	-	18.0	-	18.0	-	-	-	-	-	-	-
Sub-Total	183.0	-	183.0	-	-	-	104.0	-	104.0	-	-	-	-	-	-	-
Special Ed - Elementary	21.0	-	21.0	-	-	-	12.0	-	12.0	-	2.0	-	2.0	-	2.0	-
Special Ed - Middle	6.0	-	6.0	-	-	-	4.0	-	4.0	-	-	-	-	-	-	-
Sub-Total	27.0	-	27.0	-	-	-	16.0	-	16.0	-	2.0	-	2.0	-	2.0	-
Totals	210.0	-	210.0	-	-	-	120.0	-	120.0	-	2.0	-	2.0	-	2.0	-
Percentage Error																

SCHEDULE OF AUDITED ENROLLMENTS

**ESSEX FELLS BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014**

	Low Income		Sample for Verification				Resident, LEP Low Income		Sample for Verification	
	Free Reported on A.S.S.A. as Low Income	Reduced Reported on Workpapers as Low Income	Free Sample Selected from Workpapers	Reduced Sample Selected from Workpapers	Free Verified to Application and Register	Reduced Verified to Application and Register	Reported on A.S.S.A. as LEP Low Income	Reported on Workpapers LEP Low Income	Sample Selected from Workpapers	Verified to Test Score and Register
Half Day Preschool 3 Years Old	-	-	-	-	-	-	-	-	-	-
Half Day Preschool 4 Years Old	-	-	-	-	-	-	-	-	-	-
Full Day Kindergarten	-	-	-	-	-	-	-	-	-	-
One	-	-	-	-	-	-	-	-	-	-
Two	-	-	-	-	-	-	-	-	-	-
Three	-	-	-	-	-	-	-	-	-	-
Four	-	-	-	-	-	-	-	-	-	-
Five	-	-	-	-	-	-	-	-	-	-
Six	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	-	-	-	-	-	-	-	-	-
Special Ed - Elementary	-	-	-	-	-	-	-	-	-	-
Special Ed - Middle	-	-	-	-	-	-	-	-	-	-
Sub-Total	-	-	-	-	-	-	-	-	-	-
Totals	-	-	-	-	-	-	-	-	-	-
Percentage Error	-	-	-	-	-	-	-	-	-	-

Transportation

	Reported on DRTS by DOE	Reported on DRTS by District	Errors	Tested	Verified	Errors
Reg - Public Schools, col. 1	3.0	3.0	-	3.0	3.0	-
Reg - Special Education, col. 4	-	-	-	-	-	-
Nonpublic Schools (All), col. 3	-	-	-	-	-	-
Spec - Special Needs, col. 6	-	-	-	-	-	-
Totals	3.0	3.0	-	3.0	3.0	-
Percentage Error	-	-	-	-	-	-

Regular Average Mileage = Regular Including Grade PK Students
 Regular Average Mileage = Regular Excluding Grade PK Students
 Special Average = Special Ed with Special Needs

13.7

13.7

13.7

SCHEDULE OF AUDITED ENROLLMENTS

ESSEX FELLS BOARD OF EDUCATION
APPLICATION FOR STATE SCHOOL AID SUMMARY
ENROLLMENT AS OF OCTOBER 15, 2014

	Resident LEP NOT Low Income		Sample for Verification		
	Reported on A.S.A. as NOT Low Income	Reported on Workpapers NOT Low Income	Sample Selected from Workpapers	Verified to Application and Register	Sample Errors
Half Day Preschool 3 Years Old	-	-	-	-	-
Half Day Preschool 4 Years Old	-	-	-	-	-
Full Day Kindergarten	-	-	-	-	-
One	-	-	-	-	-
Two	-	-	-	-	-
Three	-	-	-	-	-
Four	-	-	-	-	-
Five	-	-	-	-	-
Six	-	-	-	-	-
Sub-Total	-	-	-	-	-
Special Ed - Elementary	-	-	-	-	-
Special Ed - Middle	-	-	-	-	-
Sub-Total	-	-	-	-	-
Totals	-	-	-	-	-
Percentage Error	-	-	-	-	-

BOARD OF EDUCATION
ESSEX FELS BOROUGH SCHOOL DISTRICT
COUNTY OF ESSEX
FISCAL YEAR ENDED JUNE 30, 2015

EXCESS SURPLUS CALCULATION

REGULAR DISTRICT

SECTION 1

A. 2% Calculation of Excess Surplus

2014-15 Total General Fund Expenditures per the CAFR, Ex. C-1	\$4,989,864.67	
Decreased by:		
On-Behalf TPAF Pension and Social Security	<u>455,536.69</u>	
Adjusted 2014-15 General Fund Expenditures	<u>\$4,534,327.98</u>	
2% of Adjusted 2014-15 General Fund Expenditures (Times .02)	<u>\$ 90,686.56</u>	
Enter Greater of Above or \$250,000	\$ 250,000.00	
Increased by: Allowable Adjustment	<u>63,542.00</u>	
Maximum Unassigned/Undesignated-Unreserved Fund Balance		<u>\$ 313,542.00</u>

SECTION 2

Total General Fund - Fund Balances @ 6-30-15 (Per CAFR Budgetary Comparison Schedule C-1)	\$ 953,814.05	
Decreased by:		
Year-end Encumbrances	<u>2,605.00</u>	
Legally Restricted - Excess Surplus - Designated for Subsequent Year's Expenditures	<u>259,183.29</u>	
Other Restricted Fund Balances	<u>177,876.29</u>	
Total Unassigned Fund Balance		<u>\$ 514,149.47</u>

SECTION 3

Restricted Fund Balance - Excess Surplus		<u>\$ 200,607.47</u>
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BOARD OF EDUCATION
ESSEX FELLS BOROUGH SCHOOL DISTRICT
COUNTY OF ESSEX
FISCAL YEAR ENDED JUNE 30, 2015

Recapitulation of Excess Surplus as of June 30, 2015

Reserved Excess Surplus - Designated for Subsequent Year's Expenditures	\$ 259,183.29
Reserved Excess Surplus	<u>200,607.47</u>
Total Excess Surplus	<u><u>\$ 459,790.76</u></u>

Detail of Allowable Adjustments

Extraordinary Aid	<u>\$ 63,542.00</u>
Total Allowable Adjustments	<u><u>\$ 63,542.00</u></u>

Detail of Other Restricted Fund Balance

Capital Reserve	<u>\$ 177,876.29</u>
Total Other Restricted Fund Balance	<u><u>\$ 177,876.29</u></u>

